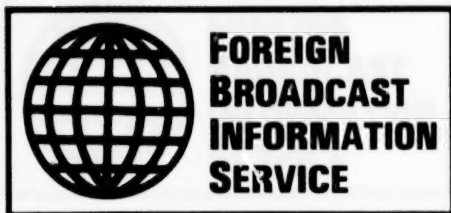


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JPRS Report

West Europe

West Europe

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FINLAND

Newspaper Views Soviet-Swedish Baltic Agreement

36170040a Helsinki *HELSINGIN SANOMAT*
in Finnish 15 Jan 88 p 2

[Editorial: "Kremlin's Glance at Nordic Countries"]

[Text] Long neglected by high-level officials, the Nordic countries seem to be turning into a new focus of Soviet activity in foreign policy. Last autumn in Murmansk, General Secretary Mikhail Gorbachev made several proposals concerning the Nordic countries. After a 15-year hiatus, the Soviet prime minister is now visiting Sweden and Norway to end troublesome political impasses and to boost Gorbachev's proposals. Gorbachev himself is scheduled to arrive in Helsinki soon.

Prime Minister Nikolay Ryzhkov's visit to Sweden was a considerable challenge to the Kremlin beforehand. Sweden has all along accused the Soviet Union of continual and unscrupulous submarine activity in Swedish territorial waters. Moscow has undoubtedly able to take precautions to keep the issue from casting a shadow over Ryzhkov's entire visit. The dispute over drawing the boundaries for the economic zone in the waters east of Gotland is another issue which has long interfered with the development of relations between the countries.

In the Swedish climate of opinion, distrust of the Soviet Union is so strong that the success of the visit was in jeopardy, both for Moscow and Ingvar Carlsson's government, until the very end. To assure success, the Soviet Union agreed to concessions, unusually far-reaching for a superpower, in division of the disputed economic zone: Sweden received three quarters of it. Not even that was enough to satisfy the right-wing opposition, in whose opinion the Soviet Union should first have confessed its guilt in the submarine incidents.

According to the Swedish government, too, foreign submarines constantly violate the country's territorial waters. There is no proof of the submarines' nationality, however. During the visit, Ryzhkov and other Soviets were forced to assure the Swedes innumerable times, as unambiguously as possible, that the Soviet Union has nothing to do with the alleged violations.

This arrangement raises questions for an outsider. Can a superpower play such tough political poker? Can it really afford to link its top political leaders to a game of this kind? Just one encounter with a Soviet submarine in Swedish waters would ruin that credibility in whose behalf the Kremlin is now ready to make significant political concessions. If, after this, the submarine violations seem to continue as before, the situation will become intolerable to the Swedish government for lack of proof.

Ryzhkov's trip continues to Norway, where he is expected to make a political move in the negotiations on the partition line in the Barents Sea. So far, this has been a bone of contention in talks between the countries. On the other hand, current high-level policy is the superpower alliances' expansionary counterposition in the northern seas, which Ryzhkov was worried about in Sweden.

The Soviet Union proposes that during the next stage of CSCE talks in Vienna NATO and the Warsaw Pact negotiate a limit to military activity in the northern seas, including the Baltic Sea. In Ryzhkov's opinion, countries outside the military alliances such as Finland and Sweden should also be invited. In Stockholm, Ryzhkov called on all the Nordic countries to observe Soviet naval exercises this year and to make new proposals. Additional ones may be forthcoming from Oslo.

The Soviet Union's new proposals will undoubtedly provoke different reactions in different Nordic countries. It is scarcely possible to find a joint Nordic policy. Moscow seems to think, however, that discussion with and among the Nordic countries is enough.

12327/7310

Hard-Line CP Press Organ Again Loses Editor to CP Moderates

36170040b Helsinki *HELSINGIN SANOMAT*
in Finnish 15 Jan 88 p 13

[Text] TIEDONANTAJA has again lost an editor to the majority communists: Liisa Linsio, who worked on TIEDONANTAJA's Theory and Policy supplement, has been hired by the Finnish Communist Party newspaper KOMMUNISTI. TIEDONANTAJA's managing editor was hired by KANSAN UUTISET a while back. The communist camp was recently perturbed by a SUOMEN KUVALEHTI interview which Linsio conducted with Gorbachev's assistant. The interview told how the CPSU Politburo voted for the selection of Gorbachev. The assistant revealed that the CPSU leader was chosen by the vote of Andrei Gromyko.

12327/7310

GREECE

PASOK-KKE Relations Seen at 'Lowest Point'

35210058a Athens *TO VIMA* in Greek 17 Jan 88 p 6

[Commentary by I.K. Pretenderis: "KKE 'Withdraws' from Politics. The Taverna on the Corner Is Moving the Tables Inside"]

[Excerpt] Relations between PASOK and the KKE are at the lowest point in their history, to put it mildly. One could venture the judgement that it looks as though it would be difficult to improve them because—by all indications—a "strategic shift" is under way in the KKE.

If one summons up all the standard "anticommunist scenarios," Messrs. Rakitzis and Maniadakis, and all the tools usually used by those who examine KKE policy without necessarily being firmly convinced that the Alliance is needed to save the nation, one cannot avoid a number of observations.

Even the dumbest CIA agent could see that—chronologically at least!—the worsening in relations between the KKE and PASOK coincides with the broadening responsibilities of Gr. Farakos. Naturally the one does not necessarily explain the other but there are another two or three coincidences. For example, the necessary "ideological demonstration and popularization" of the "new line" was undertaken (in two articles in RIZOSPASTIS) by Central Committee member N. Kotzias rather than by M. Androulakis, the Politburo member responsible for these issues. Kotzias had already demonstrated his interest in these matters by recently publishing a book on the "Synaspismos tis Aristeras" [Coalition of the Left].

Naturally this was pure coincidence, nor can it have played any role that N. Kotzias is viewed (and has been) as being close to Gr. Farakos and that there was a "difference of opinion" between him and Androulakis during the "golden age" of the KNE [Greek Communist Youth]. On the other hand, when Kotzias' book was published, Androulakis presented him to reporters himself to avoid any possible misunderstanding. It should be noted at any rate that Kotzias was promoted to regular member of the Central Committee only last May at the 12th Congress and that Farakos' "upgrading" has been achieved in large part thanks to agreement from the one-time "renewers" within the KKE.

It would be well, however, for us not to look for quarrels and disagreements because on 13 January RIZOSPASTIS assured its readers that the Central Committee's decision was made unanimously. For that matter it is well known that life itself refutes the "anticommunist scenarios." Take K. Tsolakis for example: everybody said he had been put into cold storage and yet observe that in the past few days he has attended three Regional Committee plenary meetings on the "new line" on behalf of the Politburo (Salonica City Committee, Regional Committee for Western Peloponnisos/Western Central Greece/Zakynthos/Kefalonia, Central Macedonia Regional Committee).

Strategic Shift

The impression that a "strategic shift" is under way is strengthened precisely by the publicity given by RIZOSPASTIS to the discussion of the Central Committee decision in the various guiding organs of the party. As we know, from time to time "historic decisions" are made by the Central Committees of Communist Parties which then "guide" party policy for a considerable time. The decision of 19 December appears to be such a decision.

Above and beyond the guiding organs, RIZOSPASTIS devoted another 1 and 1/2 pages to a dialogue which Gr. Farakos had with an "aktiv of cadres" (in connection with the declarations of the Central Committee). RIZOSPASTIS noted that the comments by the head of the party Secretariat "are intended for all the members of the party, its friends and its supporters but are of broader interest as well." Translation: this is the official political interpretation of the Central Committee's decision!

Farakos does not hide the fact that the question of a coalition of the left is just exactly where it began and that there is no question of winning power in the next elections. Well then? "The KKE must be strengthened significantly, and electorally," is Farakos' answer.

Both Rakitzis and Maniadakis, however, would advise us (if they were still alive) to look for the essence of the new theoretical scheme: what good Communists would call "its primary and secondary antitheses." Kotzias is more enlightening than Farakos in this regard: "The differences between PASOK and the ND are not differences between two 'antithetical' poles; they are within a single pole, that of the two-party system." In other words: on the one hand there is the Two-Party System (PASOK, the ND, and their "offshoots") and on the other hand the KKE (and whoever else it can rope in). Here Rakitzis and Maniadakis would feel right at home: they used to hear that in their time!

Things have (once again) become very simple and the KKE is returning happily to its favorite "old-Communist" model (although it had been buried for several decades now): the KKE alone against everybody—bourgeoisie, social reformists (how did Kotzias ever happen to remember them!), the bourgeois system, and whatever else comes to mind! This then is the "primary antithesis" and everything else is details. Even if making the Socialists lose the presidential elections is worth a mass to Marchais' French Communists—as many as still remain at least—even they have never gone so far as to "theorify" a return to the 1920's!

Indubitably it will take a strong dose of "qualitative shift" in the KKE to dissolve the impression that it is "fleeing backwards." At any rate RIZOSPASTIS provides daily reminders that the KKE is struggling alone against everybody, precisely because everybody is struggling against it! The bourgeois press, AVRIANI, Koutsogiorgas, Kyrkos, PASOK, the ND, Rakitzis, and Maniadakis! "Anticommunism" is dragged out at the proper moment—when Communists are called upon to judge the purity of their line!—to provide a bogeyman. It is quite irrelevant whether or not some of those on the other side too are doing whatever they can to strengthen those impressions!

In such circumstances it is understandable that the KKE's struggle against the Two-Party System will take increasingly bitter forms as elections come closer. Kh. Florakis pointed this out clearly in his address to the

plenary meeting of the Athens City Committee. And in the end this was the biggest surprise of all: when the KKE "launched" the Alliance "line," many believed that the hour had come for the KKE to mature and to pursue a substantive political role. How could they have imagined that the KKE had decided to withdraw from politics and close the door behind it?

12593

PORTUGAL

PCP Militants' Document on Suggestions for Party's Future

35420049 Lisbon O JORNAL in Portuguese
15-21 Jan 88 pp 16-17

[Article by Francisco Vale, followed by text of the document]

[Text] Vital Moreira, Veiga de Oliveira, Vitor Louro, Silva Graca, and Sousa Marques are the principal authors of a document in which they express the "deep conviction" that the Twelfth Congress of the PCP must be a "opportunity for frank reflection on the status of the party and its place in contemporary Portugal."

In their opinion, this means drawing up a "balance between past activity and the shaping of new guidelines for future action, reexamining methods and organization and, especially, rekindling the spirit and sparking the revitalization necessary to overcome the crisis that affects the Party."

The initiative of those militant communists, men appointed by their party in recent years to fill important posts in institutional, parliamentary, governmental and constitutional life, comes to fore after several meetings with Alvaro Cunhal, becomes part of a decision to hold a dialogue with the present leadership, and puts the emphasis more on ideas than on the shows of support that seem to go way beyond the physical authors of the document.

In fact, as if already anticipating critics from the most phlegmatically conservative sectors of their party, Vital Moreira, Veiga de Oliveira, and Vitor Louro consider as "unchallengeable assumptions" the acceptance of marxism as the theory behind social formations and transformations, the refusal to give any "apologetics" for "capitalism and the exploitation of man by man," the respect for the heritage of the PCP, and the loyalty to the victories and ideas of 25 April and to the role played in those events by the communists.

Renewal, Even With "Human Problems"

But, even if we look at it as part of a dialogue—and partly for that very reason—the document, dated 10 November 1987 and accompanied by a list of suggestions for regulating the proceedings of the congress,

emerges as the most important stimulus to internal debate within the PCP in the last 20 years. It has already led to an outpouring of positions. This was reflected in the debate on the choice of the date for holding the congress, which took place at the last meeting of the Central Committee, and in the plenary session held on 11 January in a packed meeting room at the Hotel Vitoria.

At that meeting of intellectuals and technical cadres, at which only one out of ten speakers appeared to be "inflexible," Alvaro Cunhal insisted that there would be a "much more thorough" renewal of the leadership than had occurred on previous occasions, despite the potential "human problems" that this might cause.

The way in which the meeting transpired—after an initial address, Alvaro Cunhal appealed for others to take the floor, thus adopting the attitude of one who is above episodic differences of opinion—is all the more significant because it is among the intellectuals of Lisbon, Coimbra, Porto, and Setubal that the ideas of those who endorsed the document may come to have a greater impact.

A Catalyst Role?

The authors of the "Contribution to the Preparations for the Next Congress" are militants who, through their involvement in areas such as agrarian reform, the legislature, and autonomous government entities in Lisbon and Setubal, have an image of their party that is closely related to the realities of society. This is something that, naturally, those who look at the world through the party apparatus lack. Even when the party's walls are "made of glass," they are subject to parallax error.

Almost all the authors have withdrawn from active involvement in the party during the past five years—although in the case of Vital Moreira, the political silence is inherent in the office he holds on the Constitutional Tribunal.

Apparently they have come back for a debate at a time when conditions are more favorable for the acceptance of some of their ideas, and when the changes they propose may even appear to be objective necessities, given the depths of the impasses to which the PCP was led.

By extraordinary irony of circumstances, their views have arisen as the only ones capable of actually bringing the party back into harmony with (Gorbachev's) USSR, the principal constant throughout the PCP's entire political trajectory.

That is, by the way, an aspect which by itself separates their ideas from those of that Eurocommunism which, in the version furnished by Berlinguer or Carrilho, was conditioned by the split with the regime installed by Brezhnev.

Internal Democracy

Vital Moreira, Veiga de Oliveira, and Vitor Louro consider it essential that the next congress deal with the "updating of the by-laws" inasmuch as these are said to be tainted by the "clandestine organization of the party."

We know that the PCP by-laws contain restrictions on internal democracy that are explained by its clandestine status but which, when projected into a situation that does not justify them, may have led to what some observers see as an artificial prolonging of the control by the apparatus over the party as a whole.

The authors of the document are proposing a revision of the by-laws that could "eliminate or rewrite dated phrases or formulas," confer "transparency on the life and organization of the Party, and redefine and formalize the guarantees of internal democracy."

Although the details of these proposals were not made explicit, everything indicates that they call for a wider dissemination of information and the election, by secret ballot, of elected representatives at all sorts of levels—from the cells to the members of the Central Committee, and for organizational guarantees that ideas may be freely debated, especially during the preparatory stages of conferences and congresses.

"Comprehensive Reexamination of the Political Line"

Another aspect dealt with is that of the "updating of the party program," inasmuch as the present one "was the result of the revision that was made in October 1974, six months after 25 April, in the program approved at the 1965 congress, whose fundamental principles were retained."

The signatories to the document show themselves to be circumspect in this chapter. They mention only the undisputed need for a "general updating of the analysis of Portuguese society in order to adapt it to the situation that resulted from the end of fascism and colonialism, the successes of 25 April and the society's democratic transformations, the institutionalization of the democratic-constitutional regime, the retrogressions that have occurred in the meantime, the entry into the EEC, etc." It is that change in Portuguese society which must lead to a reformulation of party goals since "a good part of the objectives of the democratic and national revolution" have already been achieved, fully or in part.

They are more daring in their demand that the updating of the program foster a "comprehensive reexamination of the political line of the party."

Since the political line is the mediator between the program and the actual intervention in the social reality, it is natural that the signatories to the document believe its "comprehensive revision" to be necessary in the light of the "successes and failures" and the "recent evolution

of the socialist countries—the contemporary discussions concerning marxism, leninism, and the building of socialism" in terms of "renewing and strengthening confidence in the ideals of socialism." Especially significant is the discreet statement that "the experience of the other CP's" should be considered "without prejudices or taboos."

A Central Committee That Reflects "The Sense of the Party"

Under these circumstances, the authors of the document consider that the ideal time to institute internal democracy, update the program, and renew the political line would be the upcoming congress—for the time being the party's highest authority. All indications are that they will condition their active participation in its activities on the obtaining of guarantees that, this time, the congress will not be just a formality in which the ever-plentiful halfway proposals for change cannot conceal a ingeniously-crafted consensus.

Vital Moreira, Veiga de Oliveira, and Vitor Louro believe that the congress should be scheduled "far enough in advance" to permit sufficient discussion of the documents. These are to be organized by a commission which is elected by the Central Committee, but is to be "broadly representative."

The sessions of the "congress should be long enough to accommodate adequate treatment of the topics on the agenda. They should include opportunities for free discussion, in plenary sessions or in sections, of each of the points on the agenda." Furthermore, the delegates should be elected by secret ballot, "thereby recognizing the right of the militants to nominate candidates for delegates." The members of the Central Committee should also be elected by secret ballot and "individuals should be guaranteed a chance to present themselves as candidates; elections must also be structured to permit the delegates to choose the candidates freely so that there can be no doubt that the composition of the future Central Committee represents the sense of the party."

What Future?

Despite the existence of favorable conditions both within the PCP and on the international scene, the fate of the proposals made by Vital Moreira, Veiga de Oliveira, and Vitor Louro at the upcoming congress is still uncertain.

The problem can be easily stated in terms of alternatives. One possibility is that the document might be partially accepted in a debate with the less rigid wing of the present leadership, via a proceeding mediated by Alvaro Cunhal who, at the same time, would curb the scope of the discussion so as to prevent its derailment—which will not forestall attacks from sectors that feel threatened simply by the election of the Central Committee by secret ballot.

Under a second scenario, we would see the formal salvaging of some of the proposals, at the same time as its authors are nudged out of the mainstream and the document is treated as just another of the innumerable contributions to be submitted to the next congress, with a special commission assigned to integrate them into the final resolutions.

However, international circumstances may turn out to be particularly favorable if, as is likely, "perestroika" remains dynamic throughout the mid-range future. In fact, the revision of the Constitution, which was a condition for the holding of the Twelfth Congress of the PCP, will probably take place almost simultaneously with a special conference of the Communist Party of the Soviet Union announced for the "beginning of next summer" and at which, according to Gorbachev, the principal topic will be "democratization within the bosom of the party."

Defensive Reflex?

Some recent clues indicate what the response by the current PCP leadership may be to the proposals made—at the same time as they point to topics that might stir up an even greater controversy.

One part of the leadership, which justifiably feels threatened by any partial democratization that might result from the Twelfth Congress, seeks to stimulate a defensive reflex in order to sidestep a debate in which their responsibilities in the present crisis might be brought to light. They insist that the press is unleashing an attack against the PCP, and they draw a spurious connection between this and the attacks by the government against the "rights and conquests" of the workers. And, as an alternative to changing the political line, the group proposes the same fossilizing voluntarism which led to the current situation.

But the attempts to create a mentality of a "fortress under siege" are unlikely to bear fruit at a time when the evolution in the USSR is arousing new interest in socialism in sectors of the population who had seen in the societies of Eastern Europe a reason to shun it. In addition, Vital Moreira, Veiga de Oliveira, Vitor Louro and some militants who did not participate in drafting the document will be able to take advantage of those trends to gain favorable ground for breaking down the barriers around the political and social space to which the PCP has been confined.

Disagreements

Alvaro Cunhal is considered, even by the majority of the critical militants of his party, as an essential ingredient in any renewal of the PCP, partly for the same reasons that the faithful always seek out the old priests to celebrate the new rites through which a religion brings itself up to date.

The differences of opinion between Cunhal and the authors of the document could, of course, affect even the amendments to the by-laws, the updating of the program, and the renewal of the political line, but at the right moment statements will be made that originate in the belief, which they themselves express, that the PCP is in crisis.

In his 13 January interview with DIARIO DE LISBOA, Alvaro Cunhal said that "the PCP is not undergoing any crisis." He explained the dismissal of a number of employees as due to personal reasons—the most recent name given to the rule of silence which has always applied to those who withdraw from active militancy in the PCP.

The very interpretation of "perestroika" is also a topic fraught with latent disagreements. Understandably, Alvaro Cunhal seeks to dismiss it as a mere "refinement of socialism". After decades of portraying the USSR, out of deep conviction, as the nearly immaculate model of socialism, the PCP naturally has trouble explaining the changes going on there. That is why it continually affirms what frequently appears to be an obvious break with the past.

O JORNAL Releases the Document

1. Introduction

In following up on the ideas already outlined to the general secretary of the party, we are now submitting some suggestions concerning the next Congress which, as already announced, is to be held next year.

Once again we stress that we are submitting these suggestions only in response to our deep conviction that the Congress, in the preparatory stage and in its deliberations, must constitute an opportunity for frank reflection on the status of the Party and its place in contemporary Portugal, for working out a balance between past activity and the shaping of new guidelines for future action, reexamining methods and organization and, especially, rekindling the spirit and sparking the revitalization necessary to overcome the crisis that affects the Party.

We believe it is likewise necessary to reiterate the fundamental ideas that constitute unchallengeable assumptions underlying our initiatives, namely, the theoretical foundations of marxism as a theory of critical analysis and of the transformation of society, rejecting any and all apologetics—whether elementary or sophisticated—for capitalism and the exploitation of man by man; the respect for the Party's origins and its heritage of struggle, rejecting criticism that has no principles or connection with reality in Portugal; lastly, loyalty to the victories and the ideas of 25 April and not repudiating, but rather exalting, the role and the responsibility of the Party in the revolution and in the defense of the democratic regime that it won.

2. The Agenda for the Congress

In addition to the "normal" tasks—the review and voting on the report from the general secretary of the party and the election of the Central Committee—the agenda of the Congress should also include an updating of the by-laws and the program.

It is a fact that the current "By-laws of the Party" are outmoded in several respects and have shown themselves to be deficient on other points. They retain several features leftover from the clandestine organization of the Party. They treat several topics summarily or not at all; they provide solutions that need to be reexamined.

It is important to review the by-laws, particularly so as to eliminate or rewrite dated phrases or formulas, adapt the organizational structure of the Party to its work and the needs for action in this present period of history, give transparency to the life and organization of the Party, and to redefine, strengthen, and formalize the guarantees of internal democracy.

The "Party Program" also needs to be updated. The present program was the result of the revision that was made in October 1974, six months after 25 April, in the program approved at the 1965 Congress, whose fundamental principles were retained.

Naturally it will be necessary to carry out a general updating of the analysis of Portuguese society, in order to adapt it to the situation that resulted from the end of fascism and colonialism, the successes of 25 April and the society's democratic transformations, the institutionalization of the democratic-constitutional regime, the retrogressions that have occurred in the meantime, the entry into the EEC, etc. It also becomes necessary to reformulate the objectives of the Party in light of what has happened, and especially taking into account that a good part of the objectives of the "democratic and national revolution" that today are contained in the Program have been achieved, fully or in part. It would likewise appear to be desirable to "dismantle" the Program, to make it easier to adjust to economic, social, and political changes.

It is important that the updating of the program propitiate a comprehensive reexamination of the political line of the party in the light of its own history and experience, the experience of the other communist parties (without prejudices or taboos), the successes and failures, and the recent evolution of the socialist countries—the contemporary discussions concerning marxism, leninism, and the building of socialism. Respecting and reaffirming the commitment to the theoretical principles which inspired the party struggle, to the heritage of its history and to the conquests and ideals of 25 April, it is vital to renew and strengthen confidence in the ideals of socialism.

It is in this context that the preparations for the next Congress must be made.

3. The Organization of the Congress

The Congress must be a broad opportunity for internal debate, for free and open discussion, for presentation of ideas and solutions. The guiding purpose lies in overcoming the present difficulties and problems and in discussing and arriving at solutions.

To that end, it becomes necessary to adopt the following measures: scheduling the Congress far enough in advance to permit working out a timetable for the presentation, study, and discussion of the documents and proposals and for the election of the delegates; selection, by the Central Committee, of a "Commission to Organize the Congress" that is broadly representative and assigned to prepare, coordinate, and streamline the organization of the Congress; approval by the Central Committee, similarly well in advance, of "Regulations of the Congress," upon proposal by the aforementioned commission. Among the points to be specifically covered in those regulations would be the timetable for preparation, the composition of the Congress in terms of number of delegates (including the number of permanent delegates and the number of elected delegates), the rules for distributing the elected delegates among the various organizations, the procedures for convening and organizing the debates, the method of disseminating the documents and proposals within the Party, etc.; distribution of the documents to be submitted for discussion far enough in advance to permit their study, drafting of proposals for amendment, and discussion; specific arrangements must be made to call plenary meetings of all the organizations to discuss and vote on the documents and proposals and to elect the delegates. A major mobilization effort must be launched so as to broaden, as much as possible, the participation of the members of the Party; the election of the delegates to the Congress by secret ballot, thereby recognizing the right of the militants to nominate candidates for delegates, on terms to be established in the regulations, and to propose amendments to the theses under discussion. The Congress should be long enough to accommodate adequate treatment of the topics on the agenda. It should include opportunities for free discussion, in plenary sessions or in sections, of each of the points on the agenda. All the proposals that are submitted by a minimum number of delegates—who will have the chance to defend them at the Congress—must be submitted for discussion. The members of the Central Committee should be elected by secret ballot; individuals should be guaranteed a chance to present themselves as candidates; elections must also be structured to permit the delegates to choose the candidates freely so that there can be no doubt that the composition of the future Central Committee represents the sense of the party.

Attached is a set of proposals/suggestions for organizational regulations that might be used to govern the work of the Congress, in line with the concerns expressed herein.

Lisbon, 10 November 1987

12830

Poll Reveals Public's Optimistic Stance

*35420044b Lisbon DIARIO DE NOTICIAS
in Portuguese 12 Jan 88 p 2*

[Excerpts] An analysis of the results of a public opinion poll taken by the Gallup Institute (worldwide) and the Norma Agency (Portugal) during the last quarter of 1987, clearly shows that the Portuguese are optimistic about 1988. Fifty-one percent of the Portuguese, the most optimistic results within the Common Market, expect 1988 to be better than 1987.

The poll now being published was taken from a sample of 800 to 1,000 people from a population 15 years of age or older in each of the 37 countries selected. Those being polled were asked six questions.

On what each one thought about 1988 (same, better, or worse than 1987), 51 percent responded that it will be better, 25 percent that it will be the same, and 13 percent that it will be worse. Eleven percent, a significant number, did not respond.

Labor Strife

The poll also reveals people's opinions on the labor field. Thirty nine percent of the Portuguese think that strikes and labor strife will decrease, while 30 percent do not think the situation will change from that of 1987 and those expressing no opinion increases to 12 percent. Only 19 percent of those polled think there may be an increase in strikes and labor strife.

When we compare the responses given to questions on the state of the nation's economy with those given on the labor questions, we can presume that those being polled did not establish any interdependence between the two phenomena. In fact, the 39 percent who think labor strife will diminish compares to only eight percent who believe the economy will be much better. There are, of course, 46 percent who feel the economy "may be somewhat better". The number of those who think there will be no measurable change is also high at 30 percent.

Meanwhile, if we widen the analysis to include what each Portuguese thinks about his personal economy, only 5 percent of those polled believe it is "much better", while 50 percent do not foresee any change. It should be stressed that there was a minimal rate of no response (1 percent) to this question. Continuing with the question of personal economy, 8 percent believe it will worsen and 30 percent are betting there will be a "small improvement".

The numbers on the economic evolution of the nation are wide apart from those concerning people's personal economy. The 30 percent who compared their personal economy to that of 12 months ago may be the same 30 percent who foresee no change in the nation's overall economic picture.

Between Peace and War

The two other questions asked whether or not there is a likelihood of a world war within the next 10 years and what thoughts did the individual have about peace, international conflicts and strife in 1988. It was asked whether or not there will be more conflicts, more peace, or will 1988 simply be the same as 1987.

Again, Portugal shows the most optimism with 41 percent of those polled believing that it will be a year of peace.

Now, the numbers appear more promising on the likelihood of a world war during the next ten years. Ten percent of the Portuguese feel there is a 50 percent probability there will be a war. Based on a scale of greater risk, (up to 100 percent probability) the Portuguese are confident: only two percent acknowledge that there is a great probability of war. On a lesser risk scale, 36 percent believe in the improbability of a war while 11 percent believe there are 10 chances in 100 that there will be a war.

09935

Poll Reveals Majority Wants FP-25's Otelo Released

*35420051b Lisbon SEMANARIO in Portuguese
23 Jan 88 p 9*

[Excerpts] The situation is this. Today, 23 January 1988, marks 3 years since Otelo and the majority of the defendants in the FUP/FP-25 trial were sentenced.

There is a legal possibility (the law is not an exact science) that Otelo will be released in the coming days. For this reason we decided that our opinion poll this week would concern this possibility. We therefore asked the following question:

"On 22 January, Otelo Saraiva de Carvalho completed 3 years of preventive imprisonment following his sentence. As of that date, it will be decided if Otelo will be released or not.

"Do you approve of the release of Otelo Saraiva de Carvalho or not?"

The first thing noted in the responses we obtained was the large number of individuals without an opinion—56.4 percent. Is this confirmation that Otelo's trial took place in an atmosphere of great indifference? Or does it mean that most citizens have little interest in concerning

	Sex			Age Group			
	Total	M	F	25-34	35-44	45-54	55-64
Approve	30.4	32.1	29.0	17.0	40.0	28.6	33.8
Disapprove	13.2	15.2	11.6	23.4	17.8	2.4	8.8
No opinion	56.4	52.7	59.4	59.6	42.2	69.0	57.4
Base	250	112	138	47	45	42	68

Professional Group Interviewed

	Medical Cadres	Admin. Serv.	Com- merce	Workers	Pen- sioners	Stu- dents	Domes- tics
Approve	20.8	35.3	45.8	32.6	40.0	23.3	16.3
Disapprove	37.5	7.8	8.3	9.3	8.6	13.3	16.3
No opinion	41.7	56.9	45.8	58.1	51.4	63.3	67.4
Base	24	51	24	43	35	30	43

themselves with judicial affairs? The complexity and the fact that this matter has dragged on for a long time may explain this "aloofness" on the part of the citizens. Justice in Portugal tends to be regarded as the private preserve of the jurists. This is the first worrisome inference we see as justified.

Of those who expressed an opinion—and this is the most impressive fact—the vast majority, about 30.4 percent, voiced approval of Otelo's release. It should be noted that the question did not include supplementary information to the effect that what would presumably be involved would be merely provisional release pending the definitive judgment of the Supreme Court of Justice. Even so, the majority of the citizens expressing an opinion said that Otelo should be released. Would the results have been different if the question had mentioned the FP-25 or the possible liberation of the other defendants in that trial as well? Or could it be that the people are ready to forgive as soon as the "terrorists" cease to get themselves talked about?

The majority opinion favors the release of Otelo. But there are exceptions. The young people between 25 and 34 years of age constituted the group most opposed to such a release (23.4 percent against and 17 percent for), and the middle-level cadres group was that in which the most individuals expressed an opinion (37.5 percent against and only 20 percent for).

As to conclusions, each individual must draw his own.

Let us examine the table.

Technical Data on the Poll

This study was carried out by MARKTEST. The field covered was the population between the ages of 15 and 64 living in homes with telephones in the Greater Lisbon area. The sampling included 250 persons. The statistical error was less than 6.2 percent, with a 95 percent probability index. The households to be interviewed were selected at random, and within each household, the individual to be interviewed was also selected on a random basis. The interviews were carried out by telephone on 11 January 1988.

5157

SPAIN

Eastern Bloc Involvement Seen in Foreign Ministry Bugging

35480055 Madrid ABC in Spanish 20 Jan 88 p 15

[Article by Fernando Delgado and Angel Puerta]

[Text] The director general of consular affairs, Rafael Pastor Ridruejo, was spied on at his home by "Eastern bloc intelligence services," ABC was told by official sources in the civilian intelligence services, which based their assertion mainly on the type of microphone that was found.

The sources indicated that the investigation into the provenance of the "bugs" placed on the telephones of the high-level Foreign Ministry official is continuing, "although at present we have reached a dead end."

In conducting the investigation into this delicate matter, the civilian intelligence services have only the microphone found in the telephone box at Pastor Ridruejo's home. "However," the same official sources noted, "as

usually happens, the microphone 'came apart' when it was opened, and there was no chance even to find out what frequency it was transmitting on. The people who made it prepared it to self-destruct when handled."

According to the sources, which are directly involved in the investigation, a study of the characteristics of the transmitting device placed on Pastor Ridruejo's telephone cable suggests that "it came from some intelligence service that works for the Soviet bloc." The hypothesis that the bug was planted by detectives has been ruled out, "because the microphone is not like the ones they use," they added.

The official sources at the civilian secret services again told this paper that the "bugging" was never thought to be the work of the Superior Center of Defense Intelligence (CESID).

These statements coincide with those of official spokesmen of the Defense, Interior and Foreign ministries, who denied any CESID involvement in the bugging of the director general of consular affairs.

Sources at the Diplomatic Information Office have not ruled out either that it was a foreign country that bugged the diplomat's phone. They are asking themselves the same question. If the CESID intelligence services deny that they spied on Pastor Ridruejo, and the civilian intelligence services can be ruled out too because they were the ones who discovered the microphone, then there are only two hypotheses left: that it was a foreign country or that it was a private investigation by hired detectives.

The latter hypothesis does not seem too likely because according to the same sources, Pastor is regarded as a man who lives a well-ordered life. As for the first hypothesis, the same sources say that spying on an official of the second rank does not seem to make much sense. It would have made more sense for foreign secret services to show an interest in Maximo Cajal, the secretary general of foreign policy, or the undersecretary of foreign affairs, Fernando Perpina-Robert; they are thus not ruling out that Pastor's phone may have been bugged by mistake.

Nonetheless, some 3 months ago, ABC has learned, CESID and the civilian intelligence services were at Pastor's office conducting a "sweep," in other words, an operation to detect listening devices; this is one of their customary activities. They found nothing, however.

Madrid (Fernando Delgado)—Seven intelligence services are currently operating in Spain, two of them under the Interior Ministry and the other five under the Defense Ministry. Interior controls the General Headquarters of Intelligence, which is run by Commissioner Martinez Torres, and the Civil Guard Staff, which is

headed by Maj Gen Francisco Saenz San Pedro Mas. CESID and the four intelligence divisions of the army, navy, air force and defense staffs are under the Defense Ministry.

Although all official bodies have denied that CESID was involved in the bugging of the director general of consular services, the fallout from the incident has in a way touched CESID and, according to sources close to the intelligence services, has revived the "feuds" between civilian and military intelligence.

Although we cannot say for sure that there are confrontations between the various secret services, certain "suspicions" and "outflankings" among the civilian and military services, mainly having to do with duplication of work, have on many occasions leaked out. In this regard, the various intelligence agencies complain in private that there is no real coordination among them.

Nonetheless, the official sources in both the Interior and Defense ministries stress that there is coordination and that cooperation is very close-knit, inasmuch as all of the existing intelligence services attend the periodic meetings that are called to exchange, analyze and follow up on the various pieces of information that could affect the stability of the State. These meetings are apparently held weekly.

Prime Minister Felipe Gonzalez receives confidential reports directly from the ministers of the interior and defense, Jose Barrionuevo and Narciso Serra, respectively. The idea of appointing a coordinator of the State Intelligence Services within the prime minister's office has been ruled out.

8743

PCE Succession, Leadership, Strategy Issues Discussed

35480054 Madrid *TIEMPO* in Spanish
4 Jan 88 pp 22-26

[Article by Antonio Perez Henares]

[Text] Enrique Curiel and Julio Anguita are the two key names in the future of the PCE [Spanish Communist Party]. After this February's congress the Communists will give themselves a 1-year deadline to resolve their strategy, unity and leadership problems, at which point they will hold another special congress aimed at "reunification." Gerardo Iglesias would supposedly step down as secretary general. Anguita is the candidate in the best position, but with his resignation Enrique Curiel has opened up debate.

The Communist congress is scheduled for this February, and the shock of Enrique Curiel's resignation has heated up discussions in Communist rank-and-file groups, but the PCE is actually giving itself a 1-year deadline, on which its leaders agree. This is how long the erstwhile

"party" par excellence has to portray itself as a somewhat resuscitated force in the eyes of Spanish society or to start down the inexorable road to fringe-group status and disappearance as a political force of any consequence.

The last cheerful times for the Communists were in 1979, when they did quite well in the municipal elections. After this came first the crisis of the renewers, then the terrible electoral defeat of 1982, the resignation of Carrillo, the arrival of Gerardo Iglesias as secretary general, the pro-Soviet splinter group, the Carrillo splinter group and the poor showing of United Left at the most recent elections. In short, a seemingly unending string of setbacks. A perplexed group of activists and a leadership in which the climate is far from being one of teamwork. And now, 2 months before the 12th Congress, comes Enrique Curiel's resignation as deputy secretary.

The 1-year deadline actually marks the date of a congress that represents the big Communist hope. The "congress of reunification" that will give birth to a united PCE with a new political agenda. The February congress was in principle expected to be a calm, uncomplicated transition affair, almost a congress that would go unnoticed. That was the intention of Gerardo Iglesias and his loyal followers. But others feel quite differently, and the facts are there to prove it. For example, there is Enrique Curiel, but also Julio Anguita and the Andalusians. Both want things to happen at this congress because whether they say so or not, both aspire to be part of the party's future, and everyone's eyes are on them today. Because the do-nothingism of Nicolas Sartorius and the erosion of Gerardo Iglesias' public image, plus his stated determination to withdraw, seem to rule them out.

The Third Warning

Curiel's resignation has been greeted with "surprise, inasmuch as political disagreements had not been expressed in leadership bodies," by Gerardo Iglesias and his closest colleagues, and at headquarters the first reaction was one of "incredulity" and then fear. To many, Curiel has made a mistake and put himself out of the running for secretary general. "The party, the rank and file, does not understand these things." Others, less numerous, indicate that Curiel knows what he is doing and is doing it deliberately. "Someone had to say that things are not working, and even if they break his neck, it was necessary to end the current inertia."

Enrique Curiel has decided not to wait, and Julio Anguita to be patient. The proof is a recent Executive Committee meeting. Gerardo Iglesias asked PCE leaders how they felt about his staying on as secretary general; it was not the first time. Julio Anguita's response clearly indicates what his present and future stands are. Using church and matrimonial similes, he replied: "This is the third warning, and we must say now, because tomorrow

is too late, whether there are impediments. As far as I'm concerned, there is no impediment to Gerardo Iglesias staying on as secretary general, but we must talk about the team."

Julio Anguita's strategy, the strategy of the Andalusians, does not now hinge on immediate changes. Felipe Alcaraz, the general secretary of the PCA, the most powerful Communist organization (it accounts for one-third of the activists and four-fifths of the public posts), indicates: "Before the February congress we have to clearly define: a) the strategy of United Left; b) a timetable and conditions for communist unity, and c) a team of leaders. If these three issues are not resolved, the congress will be open, and we are not going in as foot soldiers." To Andalusians Anguita and Alcaraz the United Left agenda is useful and ought to be expanded upon; they want unity without exclusions but cannot accept Santiago Carrillo's stance that United Left has to disappear. In particular, they emphasize that "the issue of leadership does not entail saviors; it means rebuilding a team of leaders, which was destroyed during the crisis of the renewers and which the party has been unable to rebuild since then." And they offer their experience: "Having two separate, complementary individuals as president of United Left and secretary general has yielded us excellent results." The widespread feeling in the PCE is that Julio Anguita, who was visibly annoyed by Curiel's resignation, has decided that waiting and gradually holding down posts and responsibilities is the way to become secretary general at the "reunification" congress. Anguita denies that this is his intention and still insists that he is determined to remain in Andalusia. The personal wishes of Julio Anguita apart, the fact is that the hypothesis squares with the calendar. Gerardo Iglesias is still thinking about leaving and will apparently enforce the bylaw provision that the secretary general must be replaced every three congresses. If so, he would apply the rule to himself in 1988, at the famous special congress. The way would then be cleared for Julio Anguita, especially if, as is very widely felt in the PCE apparatus, Curiel has, in fact, made a mistake. But has Curiel made a mistake?

Curiel Not Answering

Monday 21 December 1987. On the sixth floor of 5 Santisima Trinidad Street in Madrid, the headquarters of the PCE, right across from the office of Dolores Ibarruri, Enrique Curiel is finishing packing his personal effects. It is around 1400 hours. Three traveling bags and a large briefcase contain the belongings of the man who until Friday was deputy secretary general of the PCE.

"Oh! And the lamp," says Curiel, smiling. "It's mine," he adds, explaining.

Young colleagues and veteran activists whose lives have been dominated by jail and struggle come in to say good-by. The most veteran of them all cannot conceal their sadness and some degree of fear. The syndrome of

another crisis, another string of departures is in the air. Enrique Curiel, in contrast, rejects the farewell atmosphere: "I haven't thought about, am not thinking about and will not think about leaving the party. I want a strong PCE with a future."

The step he is taking is without question a tough one. The deep circles under his eyes and his unusually serious and withdrawn air show it. He has resigned from his post as deputy secretary, from the secretariat and from the Executive Committee. He is retaining his seat on the Central Committee and as deputy from Cordoba. He is perfectly aware that his move is going to turn him into a whipping boy, that criticism will rain down on him from many sides, that many do not understand his decision and that others denounce it, while they all still wonder, why? Curiel does not answer. He says only: "I don't want to be a cause of conflict. I want to avoid any sort of speculation. Let everyone look at himself, at the party, at society and analyze." The followers of the secretary general think otherwise. "It has been a torpedo aimed at Gerardo's waterline." If Enrique Curiel's objective was to open up debate, he has unquestionably done so. The PCE congress at which "nothing was going to happen" has become unusually lively, for better or for worse. And it is precisely this "nothing is happening here" that was the main reason for Enrique Curiel's move. As far as he is concerned, a great many things have to happen and even more questions have to be asked.

Key Points

Two of them are issues of political strategy, and the third, of leadership. His diagnosis does not differ much from the Andalusian's:

PCE-United Left situation. United Left has to be strengthened, but on the basis of a strong PCE with political alternatives. Never water down the PCE within United Left, but instead have it act as the engine and hub.

Communist unity. Absolutely in favor of it, but without ideological capitulation. The pro-Soviets can and must return to the PCE and have their own space, as the "Cosute faction" has in the Italian Communist Party. The PCE should never take stands that are no longer accepted in the USSR itself today, and now that Gorbachev is headed towards perestroika, the party should never move towards dogmatic positions in Spain. As far as Santiago Carrillo's PTE-UC is concerned, do not adopt exclusionary stands or seek revenge but instead offer integration and democracy inside the PCE.

Leadership. Enrique Curiel is not portraying himself as an alternative but feels that a change in the team of leaders is necessary. Although he refuses to attack Gerardo Iglesias, it is not hard to detect among his followers that the leadership issue carries a great deal of weight.

A recent Sigma Dos poll among leftwing voters confirms that a majority do not see Gerardo Iglesias as the leader of the PCE and feel that replacing him would be a good idea. Curiel's surprise move was preceded by comments in this regard, such as from Jose Luis Buhigas, the head of the Defense Commission, who asserted that "even if my agenda coincided with Iglesias', I cannot see him as the leader of this agenda. I think that his lack of political stature and public image invalidate him and cause the agenda to erode and lose strength."

The sum total of all these factors is what prompted Enrique Curiel's decision, which he defines in this remark: "Not resigning ourselves to token grandstanding and fringe-group status."

Enrique Curiel does not have an organized force behind him; we cannot speak of a "Curielista" faction. He has important personal resources and enjoys solid prestige. He was the major driving force in the campaign against NATO and, after winning his deputy's seat, has been the main sparkplug of the United Left parliamentary group.

Organizationally speaking, Enrique Curiel is much weaker than Julio Anguita, who has the powerful Andalusian organization behind him, who has not "shocked the activists as Curiel has," and who enjoys as much public prestige as he does. Even Nicolas Sartorius enjoys greater organized support, even though he himself has stated that "I wouldn't be secretary general even if they begged me on their knees." No one should forget his ties to Workers Commissions (CCOO). Moreover, there is Gerardo Iglesias, whose courage no one denies, and the party apparatus. And Francisco Palero, whose strings extend directly to all of the more than 2,000 headquarters throughout Spain. Such control guarantees votes, majorities and loyalty.

All of the above could be spectacularly overturned at the reunification congress. The Soviets and the countries of real socialism have already handed down their verdict: "Unity." This carries particular weight in the PCPE area headed by Ignacio Gallego, in which one faction is clearly in favor of immediate integration. Among them are Gallego himself, labor leaders Angel Ramos and Alfred Clemente and Madrid leader Enrique Moral Santin. Others, led by Jaime Ballesteros and Fidel Alonso, flatly refuse.

Carrillo's Gestures

There are many versions about Carrillo. The only certain thing is some contact between PTE-UC groups and the PCE. Carrillo is in favor of unity but immediately indicates that "United Left is dead" and that they should not think about including it in any way in the platform. This is essentially heading down a dead-end street, because United Left is the PCE's strategy and cannot be abandoned. "We cannot begin neo-Carrilloism now," says Alcaraz.

At the same time, however, Santiago Carrillo is making gestures. In the CCOO, for example, where Julian Ariza has accepted a position in the union leadership, or in the municipality of San Fernando de Henares, where he has come to terms with United Left. His people know that after not winning a single seat in 1986 and after Carrillo's failure to become at least a Euro-deputy, the small party is still not viable. Santiago Carrillo is at least obliged not to leave his people in the lurch, although the old leader is aware that it might be at his own expense. And for those who know Carrillo, this is very unlikely.

Workers Commissions is the last and perhaps most important key. There we find Antonio Gutierrez, whose star is shining and who sees the union's star shining in areas as unfavorable as the election of public officials. Gutierrez is wagering on two things: United Left and a unified, strong PCE.

Therefore, he is trying to provide help from CCOO and has thus placed Campos and Clemente, the two "pro-Sovs" (as communist slang goes) who are most in favor

of unity, in the leadership. Moreover, he is extending his hand to the Carrillo people, albeit after inflicting a severe defeat on them at the congress and snatching the metal-workers federation away from them. Gutierrez remains scrupulously neutral. He does not take orders but does not wish to become involved either. Marcelino Camacho is more active. Today the veteran labor leader is a strong backer of Gerardo Iglesias and is extremely active in the party's leadership bodies.

A solution to the complicated jigsaw puzzle of interests, strategies and tactics must necessarily be found in a year's time. The countdown has begun. The first engines will start up at the February congress, at which the first thunderclaps may also be heard.

There will be almost no time left afterwards, and the PCE will have to say, after almost 10 years of continual crises, where it is headed and how. The party must also clarify who will head up the procession.

8743

FINLAND

Study Examines Servicemen's Views on Defense, Organization

95 Percent Back Defense

36170025a Helsinki UUSI SUOMI in Finnish
6 Dec 87 p 12

[Article by Heikki Haapavaara: "Recruits' National Defense Will High, Money Concerns and Heartaches Burden Finnish Soldier"]

[Text] Officer candidate Timo Gronroos returns the sentry's military salute. He is one of those 95 percent of recruits who is of the opinion that Finland should defend itself against an aggressor.

He is training a light infantry platoon several nights a week in the woods. But he is the average 86-percent man who is ready to go into combat if his country requests it.

All willingness and conscientiousness is built into the young man even though the 9 months of military service have exhausted his savings and even though his girlfriend is unsympathetic toward his endless war.

A study of recruits just completed by the information section of the General Staff contains almost nothing but flattery for the armed forces. It clearly states that the national defense will of the young Finnish man is on the rise compared with previous studies.

According to the study, a full eight out of ten recruits want to fulfill their military obligation in the best manner possible.

Problems Studied for the First Time

The just completed study is made exceptional by the fact that the defense forces has now for the first time asked recruits about their problems also.

Seven out of ten recruits must struggle with economic concerns. A full one-third of them experience difficulties in relations with civilians.

A recruit's own personal problems are naturally not a surprise.

Timo Gronroos, who has been in the Army for 9 months, has used up 4,000 markkas of his personal savings. Fellow candidate Tapio Totro has used up 5,000 markkas. Corporal Petri Aalto has spent a full 8,000 markkas of his savings.

The young men do not really regret their depleted funds. They are, however, surprised when they hear that the per diem recommendation made by the Parliamentary Defense Committee is one-fifth of the per diem given to a government official.

"That would be 26 markkas per day. Indeed, life would be completely different with that kind of money."

The per diem for a recruit is 17 or 17.5 markkas from the beginning of December.

Girls Do Not Understand

Many have problems with girlfriends, say the young men.

"Girls do not seem to understand a recruit serving an extended period of military duty," thinks Corporal Aalto.

"Even in my group, one fellow was given the cold shoulder by his girlfriend on his very first leave," continued Aalto. "This kind of thing ruins the entire period of military service."

According to Aalto, it is, however, fortunate that families with children are better understood. Fathers with small children are even offered free time for child care.

Gallup's Report

Of the more than 20,000 recruits responding to the study a little less than half considers the budget share for the defense forces to be too little. A defense system based on compulsory military service is correct for two-thirds of the respondents.

Faith in the preservation of peace is strong among the recruits. Only one-tenth considers a military conflict to be probable in Europe within the next 5 years.

Half of the recruits believes Finland's defense capability to be sufficient. Nearly half recommended that defense capability be increased. One out of ten wants to reduce armaments.

Training Satisfactory

The competency of instructors was also dealt with for the first time in the study.

Training in rifle fire was considered satisfactory by 86 percent of the recruits. Instructors in combat training were praised by 72 percent of the respondents. The use of time in training was considered effective by 58 percent of the recruits. The effectiveness of training was criticized the most by 8-month recruits who remained in rank and file jobs.

Nearly half of the recruits believes that military service will be of benefit in later life.

Professional Soldiers Remote

The fact that four recruits out of ten feel that they cannot talk about personal matters with regular personnel says a little about social problems.

Nevertheless, two-thirds of the young men are convinced that they are being treated justly.

Lieutenant Colonel Olli Nepponen, chief of the information section of the General Staff, emphasizes that the study on recruits will be a management tool.

"The study will not necessarily dictate the direction of development, but it will provide feedback and incentive."

Nepponen hopes that solutions can be found to problems with a social aspect.

"Continued attention must also be given to the structure and content of training even though we have been doing this throughout the 1980s.

"The number of individuals criticizing the effectiveness of training must be made smaller."

Half Doubt Personal Benefit

36170025a Helsinki HELSINGIN SANOMAT
in Finnish 8 Dec 87 p A 1

[Article: "Little Less Than Half of Recruits Considers Service To Be Beneficial to Themselves, A Full One-Third Feels Army Time Is of No Benefit"]

[Text] A little less than half of recruits considers military service to be beneficial to themselves, a full one-third does not consider it to be beneficial. Eight out of ten attempt to fulfill their service obligation as well as possible and perform in such a way that they give a good image of their troop units.

The results are from a research poll conducted last April by the information section of the General Staff. More than 20,000 recruits were anonymously interviewed for the poll. Nearly 80 percent of those in the service at that time participated in the study.

The study disclosed that two-thirds of the recruits consider their treatment in their own units to be just, one-fourth does not. A majority considers regular personnel to be rather remote, for example, four recruits out of ten could not discuss personal matters with regular military personnel.

Seven recruits out of ten have economic problems during military service. A full one-third has difficulties in relations with civilians, and a little less than one-third considers their time spent as recruits to be personally difficult.

As a counterweight a full two-thirds adapt well to the restrictions of military service and just as many are of the opinion that being happy during time spent as a recruit depends on the individual himself.

Studies were also conducted in the years 1978, 1981, and 1984. The national defense will of recruits, relations between superiors and subordinates, and attitudes about training, among other things, were analyzed in the studies.

The recruits provided answers to direct statements. In 1978 and 1981, there were ten, in 1984, there were 14. This year, the study was expanded, there were 16 statements.

95 Percent Want Finland To Defend Itself

The results of the studies have been quite similar.

In all the studies, 95 percent of the respondents have been of the opinion that Finns must defend themselves if the country is attacked. Two percent was a different opinion. Armed defense is supported by 86 percent.

A little less than half of the respondents considers defense appropriations to be too little, a little less than before. A full one-fifth considers appropriations to be sufficient. Compulsory military service is the most suitable solution for Finland in the opinion of approximately two-thirds, approximately one-sixth is of a different opinion.

Approximately half or slightly more than before considers military training to be effective for wartime duties, approximately one-third considers it to be ineffective. Nearly half considers military training to be interesting, nearly half does not.

Feedback regarding the competency of instructors and certain exercises considered to be the same for everyone was now sought for the first time in the study.

The instructors of standard assault rifle fire received a good rating from 86 percent and instructors of combat training received a good rating from 72 percent of the respondents.

Fifty-eight percent of the recruits are of the opinion that the time spent in training is used effectively. The most effective use of time is in basic training as well as in reserve officer and non-commissioned officer training.

The concept of the effectiveness and interest of training declines among those who remain in rank and file jobs after basic training.

FRANCE

Reorganization of Military Intelligence Unit Planned

35190032b Paris LIBERATION in French
13 Jan 88 p 5

[Text] The DGSE scrappers are moving out. This is the first major decision (and not only technical, as it might first appear) by Colonel Jean Heinrich, head of the Action Department of the General Foreign Security Directorate (the DGSE is the military secret service). Appointed on 1 September (see LIBERATION, 3 July 1987), he is planning, amidst the greatest secrecy, the move of the 11th Airborne Regiment, which is directly under him. Re-established on 3 October 1985 by Minister of Defense Paul Quilès and immediately placed under the command of Colonel Patrick Manificat, who still heads it today, this shock regiment should therefore leave Cercottes Camp near Orleans in the months ahead and join the one at Sissonne in Aisne.

As soon as it becomes effective, the measure will make it possible to geographically separate the uniformed military men of the DGSE (comparable the so-called "special forces" of all armed forces throughout the world) from the actual "secret agents." For their part, the latter will remain assigned to the Cercottes Specialized Training Center and the Maritime Operations Training Center at Quélernin Finistère.

Heinrich's decision is anything but naive. By achieving a separation of the uniformed professionals (several hundred) from their colleagues, most of whom wear civilian dress (a few dozen), the chief of the Action Department intends to put an end to the remilitarization of his agency, desired and undertaken by General Imbot as soon as he was appointed to head the DGSE on 25 September 1985. Replaced on 1 January by his Air Force colleague Francois Mermet, Imbot is what is known in the service as a "traditional officer," meaning one who is inflexible on principle. In his opinion, a soldier, even if assigned to the DGSE, is made to wear a beret, follow the rules and obey orders from his higher-ups without question.

For several years, the so-called "action agents" had no longer observed any of these cardinal virtues of the Army Forces and the legionary general, who came close to viewing the relaxation of a healthy discipline one of the causes of the Auckland fiasco, intended to restore order! Obviously, it was no accident that the only photographs published (at his request) on the occasion of his duties at the head of the DGSE concerned the ceremony of the presentation of the flag to the 11th Regiment. In an attempt to synchronize all watches and show that tradition has its good side after all, even in the secret services, Rene Imbot wore his Army general dress uniform.

But problems were not long in coming. Secret agents who for years had given up their regulation uniforms experienced some difficulty in dragging them out of mothballs. After living underground for so many years, free to the heavy-handedness of the hierarchy, it is most difficult suddenly to fall back into step. For the members of the Action Department, it was an even icier shower than the waters of the Brest roadstead off Quélern! The re-establishment of the 11th Regiment (the first unit bearing the name was dissolved on 31 December 1963) and other more harmful effects, in the opinion of certain DGSE officials.

For Rene Imbot and for Socialist Defense Minister Paul Quilès who had named him as well, Action Department agents, much more than in the past, had to become members of the special forces more fit for operating in Chad among the soldier of Hissein Habre than among the people of New Zealand. Voices were raised in the DGSE to express the view that this was not the proper orientation.

Certain secret action specialists were thus shocked that the Maritime Operations Training Center, commanded by Lt Col Patrice de Loustal, should widely associate the professionals of the 11th Regiment with those of the 13th Airborne Dragoon Regiment from Dieuze and the 1st Airborne Marine Regiment from Bayonne. These latter two units specialize in underground operations behind enemy lines, as part of sometimes discreet but nevertheless regular military operations.

In the opinion of the guardians of dogma, the specificity of the missions of the DGSE regiment should have been preserved, particularly for the "underground" agents chosen from among the 11th Regiment's best. Reliable sources indicate that the remilitarization measures (some add the adjective "outrageous") dictated by Rene Imbot had the indirect effect of removing a large part of the reservists who had previously cooperated with the service from its activities. These civilians have sometimes preserved very close ties with the DGSE military men whom they frequently aid in their training operations. Moreover, they have sometimes suffered unpleasant surprises in recent contact and one of them deplored "the mark of the beret" indelibly circling the skull of the most underground of the French secret agents.

The discontent of officials over such changes was not only one of the reasons for the fictionalized confession of a number of low-ranking agents in a recent book ("Mission Oxygene," Editions Filipacchi). It was also one of the causes of the disagreement between Imbot and Colonel Jean-Claude Lesquer, which ended in the latter's ouster. Heinrich, who succeeded him, knows that the institution would have difficulty enduring an eternal prolongation of the moods of its underground agents and is now seeking to downplay the situation by restoring peace in the most delicate and sensitive corporation of secret agents. The colonel believes that the 11th Regiment's move will help.

After the dramatic fever of 1985, the Action Department is still recovering. Its new boss still has time to get everyone on his feet to work. But complete rehabilitation is urgent at the risk of further alarming those in the government and at the Elysee who seem to despair of France's ever having effective secret services again.

/9738

Giraud Provides Statistics on National Service

35190032a Paris LE MONDE in French 21 Jan 88 p 10

[Text] Some 28 percent of all young Frenchmen avoid the obligation to perform national service. This was the response that Minister of Defense Andre Giraud gave to Jean-Pierre Delalande, RPR deputy from Val-d'Oise, who had submitted a written question to him asking the number of young men called up to serve.

According to the latest known official statistics on the 1986 quota, some 108,809 young Frenchmen of draft age were exempt (for medical reasons) or released (for social reasons) from their obligation to do military service. This represents 21.89 percent exempt and 5.83 percent excused (totaling 27.72 percent) of the number of young Frenchmen selected. In 1986, the total number called up for national service (military service itself and civilian types of service) was 254,690.

Giraud went on to state that every year, some 3,500 young people perform their national service within the framework of cooperation (technical assistance abroad).

There are also nearly 2,000 young women who do volunteer military service for a year, working as secretaries, accountants, drivers, nurses, photographers, transmitters or air controllers at detection centers.

Like the men, the young women may request an extension of their military service by signing so-called long-service volunteer contracts (1 additional year). Giraud reported that the total number of such volunteers (men and women) was 25,047 in August 1987.

/9738

PORTUGAL

National Defense, Weapon Systems Upgrade Planned

Government, Military Leaders' Agreement

35420043a Lisbon O DIABO in Portuguese
5 Jan 88 pp 12-13

[Text] Various proposals for the acquisition of a modern defense establishment were agreed upon by the executive branch and the military leaders. There are problems, but they can be overcome.

The Cavaco Silva administration appears to be committed to reviving the national defense capability in its specifically military component. Although the budgetary allocation to the FA's [Armed Forces] is not as large as would be desirable (and not as large as the minister of defense himself had requested), every effort will be made to maximize its utilization, by applying it primarily to projects for the acquisition of materiel and less to maintaining the military bureaucracy. The fact is that according to data appearing in the prestigious JANE'S DEFENSE WEEKLY (and subsequently quoted in various international military publications), Portugal—of all the NATO countries—derives the least operational results from its defense budget. There is much to be done in this domain.

Technological Modernization

A great impetus will be given to the modernization of our military industry. The recent exhibit of equipment at the FIL in Lisbon—which was well attended—served to highlight the importance of the infrastructures inherited from the era of the African war and also the obsolete character of many of the systems being manufactured by those infrastructures today, especially as a result of the failure to incorporate new technology since the turbulent times of 1975.

The military hierarchy and the government want to change this situation. On the one hand, there is a relatively sophisticated indigenous production capacity, as exemplified by the recent programs for modernization of the Sidewinder AIM-9 air-to-air missiles and for conversion of the Orion P-3 antisubmarine fighter aircraft (now being converted at the OGMA at Alverca). It is also exemplified by the manufacture of INDEP's [Portuguese Defense Industry] new machine pistol (caliber 9 mm parabellum, weight 2.8 kg, barrel 18 cms, clip of 30/40 cartridges, and retractile stock)—a substantial improvement over the antiquated FBP. And lastly, it is exemplified by the manufacture—by our national industry—of the Silabo system, a container for ammunition and countermeasures for military aviation. The Silabo—which weights 180 kg—can be adapted to the wing of any combat aircraft and contains 30 cartridges of countermeasures (infrared and electromagnetic), which upon being ejected are capable of diverting guided devices that are targeted on the aircraft. The Silabo also contains several tens of grenades (antipersonnel, antitank, etc.), utilizable on missions attacking targets on the ground.

In the domain of collaboration with leading foreign companies, we also have examples such as the protocol signed with Mercedes-Benz and Heuliez by the Portuguese factory UMM for the joint manufacture of NATO all-terrain vehicles. Plans also call for Portuguese technological participation in the Eureka systems and perhaps in a European version of SDI/IDE.

There is concern, however, over the future of the Portuguese factories that had been assembling—under license—the G-3 automatic rifle and the HK-21 light machine gun. Unlike the Spaniards—whose military factories at Santa Barbara modernized the official rifle of their armed forces (the CETME, derived from the German HK and now 5.56 caliber), thereby making it highly competitive on the international market—there are no plans to develop a similar program for the Braco de Prata factory, inasmuch as everything indicates that the Portuguese military establishment will choose to import a foreign model. It is hoped that at the very least, the licenses to assemble the foreign model in Portugal will be acquired.

Purchases of Equipment, and Operational Capability

It is known that the project for modernizing the Navy is continuing, with the addition of helicopters and anti-aircraft assets and/or antiround guided missiles to the already existing frigates and corvettes, and also with the addition of the four MEKO-200 frigates. It should also be stated that the helicopters with which the latter will be outfitted (eight in all) will be under the command of the FAP [Portuguese Air Force] or the Navy. It is a matter that is provoking some controversy, because for many years there has been no naval air unit in the Portuguese Navy.

Portugal will also be able to benefit from the Skyfox programs for modernization of the T.33 training aircraft (of which we have approximately 30), which could give us inexpensive jet aircraft for basic training, reconnaissance, and electronic warfare. It can also benefit from the program for modernization of the Corsair, whereby the latter will acquire marginal supersonic speed, greater power, and better on-board instruments. The condition of some of the A-7P's supplied to Portugal is, incidentally, cause for concern among the national commands.

The FAP has also acquired Maverick TV-guided air-to-ground missiles and detection radars. The national industry has built rocket pods for the Alouette helicopters, at the conclusion of their already long operational life. There is also talk of the possibility of buying from South Africa new ARMSCOR air-to-air missiles, which include the Kukri and an experimental long-range model.

In the field of anti-aircraft weapons, mention should be made of the acquisition of the Chaparral rapid-fire gun/short-range defense missile system, and the purchase of medium-range batteries (for the Portuguese islands) equipped with Hawk missiles.

Some changes may be made with respect to individual units, involving the strengthening of the military force stationed in the islands, reduction of the overall contingent, and reorganization of the special units. The abolition of the CIOE of Lamego is not—for example—very

popular (we shall be without any unit specialized in unconventional actions, inasmuch as parachute troops, commandos, and riflemen are primarily shock and assault troops).

There may also be cooperation in specific categories with former African provinces. For the present, mention should be made of the naval supply mission to Mozambique, which "showed the flag" and was a splendid tonic for bilateral relations without having to pass through direct political ties.

The Question of Maintenance

We were able to learn that the FA's will maintain certain autonomous supply structures, such as Military Maintenance [MM]. Indeed, it was never in the government's plans to transfer the totality of the services of that institution to the civilian domain, although national enterprises such as SONAE have for years shown an interest in making one of the existing MM structures profitable, namely the Carregado cold-storage network.

No members of the government have had contacts with the military establishment in this regard, among other things because the executive branch—acting through the Minister of Defense—realizes the need for the FA's to have an autonomous logistic and maintenance network—something that is of special importance in crisis situations, when the normal civilian structures may break down.

"What we shall certainly strive for," one official told us, "is to obtain greater economic benefit from the existing structures by causing them to be governed by strict criteria of efficiency and by combating waste."

The government's motto for 1988 in the military domain is, therefore, to do a lot with a little—relatively little—money.

Arms Industry Improvement Planned

35420043a Lisbon *EXPRESSO* in Portuguese
9 Jan 88 p 1

[Text] As early as next September, Portugal may enter the competition to sell arms to NATO, if the process of converting the arms industry goes according to the government's current plans, *EXPRESSO* was told yesterday by Eugenio Ramos, secretary of state-assistant to the minister of defense.

A few hours after the incidents at INDEP (the factory at Braco de Prata, Lisbon), where the Intervention Police took action to remove the managers who had allegedly been seized by the workers at the installations of the enterprise, Prime Minister Cavaco Silva proclaimed the intention of reorganizing the arms industry. For his part, Eugenio Ramos told *EXPRESSO* that "it is time for Portugal to stop selling military equipment only to

underdeveloped countries," with the intention of putting into immediate operation—"in the INDEP—production lines that will make it possible to keep abreast of the evolution of technology."

Portugal Sells Only to the Third World

Since the end of the colonial war the national arms industry has become obsolete and is selling military supplies to virtually only the Third World. However, this same secretary of state says he believes it is possible that sophisticated equipment made by INDEP will participate next September in the competitive bidding opened by NAMSA—the specific NATO agency for the purchase of military equipment.

In this connection, the government is endeavoring to develop competitive retraining of the INDEP workers, but not before effecting a considerable reduction in personnel. Eugenio Ramos has announced in this regard that there will be no layoffs, and that the excess personnel will be given other government employment.

10992/9604

SWEDEN

Concern About Outside Attack Changing Status of Home Guard

36500057b Stockholm DAGENS NYHETER in Swedish 4 Jan 88 p 7

[Article by Gunnar Sorbring: "New Status for the Home Guard: The Peoples' Guerrilla Defense"; first paragraph is DAGENS NYHETER introduction]

[Text] The new threat of surprise attack and sabotage units has caused the Stockholm Coast Artillery defense and regiment KA 1 to invest in an entirely new Home Guard. It is being reorganized, modernized, and will have a higher status than certain regular units.

In the companies in Stockholm's archipelago there are now also two mobile readiness units, two companies with greater authority.

In the Stockholm archipelago the defensive spirit is very strong. The defense authorities are now asking the population to join the new archipelago companies, with their year-round well-equipped boats, snow scooters and other vehicles. They will soon be able to deploy against submarines and other types of territorial penetration and sabotage.

"We are creating a new war organization for our Home Guard. They are getting new tasks, and we are seeing to it that they will get the most modern equipment possible," said Urban Sobeus, colonel and chief of Stockholm's Coast Artillery defense at KA 1.

Gone are the old mauser rifles from the 1800's. SK/KA 1 Home Guard has used the AK4 automatic carbine for a long time, and they have been awarded the highest grades from the national commander of the Home Guard, Robert Lugn.

He has written a letter of appreciation to Colonel Sobeus, and asked him to teach the skills of SK/KA 1 to other Home Guard units around Sweden.

Guerrilla Defense

SK/KA 1's Home Guard is ready to participate in open warfare, and can function as a guerrilla defense:

"There are over 100,000 men in the Swedish Home Guard, and that is as many as the guerrillas in Afghanistan," said Major Bjorn Persson, chief of the Home Guard and Volunteer Branch of SK/KA 1.

Their tactics are those of surprise attack and guerrilla techniques. The enemy will strike against vulnerable targets in foreign territory.

"They will be a guerrilla army in a foreign country—ours," he said.

Today SK/KA 1 has between 2,000 and 2,500 men engaged in the Home Guard in the Stockholm archipelago. The goal is to raise that figure to 3,000 in the new archipelago companies.

The modern equipment and raised status—higher than certain regular units—has caused a number of protests by the military chiefs, but they give competence, self-confidence and reliance to the people.

Intended Respect

They are also intended to give respect in the eyes of the outside world, since the Swedish defense forces should be respected while abstaining from war:

"If we show that we are sufficiently fast, popularly based and well-equipped, people will think twice," said Colonel Sobeus and Major Persson.

Previously Colonel Sobeus and other military chiefs could not call out the Home Guard at times of crisis and territorial violations in the same way as the conscripts who had completed their basic training, without a special government decision. But two years ago this was changed, and the Home Guard can now more directly enter the peacetime organization and carry out combat missions.

Sabotage units will be introduced before the outbreak of war to destroy SK/KA 1's gun batteries and minefields, and make our mobilization more difficult.

In Place Quickly

The new Home Guard can very quickly reach their places in the inner, middle and outer archipelago to guard secret installations. When the regular personnel arrive in place they join the units and help man the guns or radar stations.

Two ready units—the 25th and 26th companies—have been in place in the archipelago. They are mobile resources of 200 men each, one in boats and the other in automobiles. The 26th company consists of archipelago residents who use their own boats and have learned how to search for submarines.

"It is a very fine resource of skillful archipelago residents who are accustomed to hardships," said Colonel Sobeus. "The 25th Company deploys against territorial violations on land, and they know how to deal with foreign units."

09287

Civilian Preparedness Plans Will Be Classified in Future

36500057c Stockholm DAGENS NYHETER in Swedish
4 Jan 88 p 7

[Article by Bengt Falkkloo: "New Regulations for Preparedness Plans—Civil Defense Is Not Secret"; first paragraph is DAGENS NYHETER introduction]

[Text] In a few months at the earliest there will be new guidance and instructions in which details of the civil defense plans in the municipalities will be secret. As of now all the information is public and is available at municipal offices.

Sodertälje Municipality opened a small "crisis staff" on Sunday.

"But that is just sensational journalism," said Municipal Councilman Hans Mattsson about the newspaper article which said that all Sodertälje planning is open for the enemy to study and sabotage the entire municipality. Nothing related to civil defense is secret!

Several municipalities in the country make their civil defense plans available to anybody at all.

"But now there will be new instructions," said acting civil defense director of Stockholm County, Göte Domvall. The information which was "disclosed" on Sunday was in no way secret, on the contrary it said that the population should know as much as possible about civil defense.

Naturally there is controversial information, attractive to an enemy, even in a municipal civil defense plan.

Not to Point Out

"Naturally one should not point out technical installations too closely," said Göte Domvall. "Everyone who has suspicious information has naturally learned where our waterworks are located, or transformer stations, these cannot be hidden, but one should perhaps be a little careful about pointing out the central operating stations."

Sodertälje lawyer Ulf Lindelow says that one has done nothing wrong by taking the enclosures from the municipal government's minutes.

"Note that these enclosures were not up with the commissioners, where only the written introductions were sent, the rest remained with the municipal government. We had a thorough discussion about whether we should stamp them secret, but we considered that the instructions which the county government issued applied, so we complied."

In the preparedness plan it naturally states where the civil defense staff shall remain, a small sport airfield is pointed out, etc.

"Nothing strange about that," said Göte Domvall. "It is of course known by everybody that all of the underground shelters in the country are opened once a year for visiting, so that people will know where their tax money is being spent. And the airfield outside of Sodertälje is not secret. It is used by the Volunteer Air Corps also, and will be used by the observation planes of the Civil Defense to discover fires and other things. Nor is it remarkable that evacuation plans are being written out. Or where supplies of gas masks are stored, people should know in peacetime how to get there."

One thing, however, which concerns Göte Domvall, is that it is fair to ponder where the reserve police station should be placed in case of war.

Telephone Books

"Yes, there are telephone numbers here in the war telephone book," said Ulf Lindelow, "but then one must search a little farther to find where the telephones are. But that is also a public matter. Also, the names of all the policemen, municipal officials and politicians are public knowledge."

The new regulations will be worked out together by the Central Board of Civil Defense, the OCB, the National Police and the Defense Staff.

"We are working with new instructions, and they will be coming out in a few months," said Director General Gunnar Norbeck of OCB.

At the Engineer Regiment Ing 1 in Sodertalje they are not worried that certain information is available at the municipal offices.

"If there is a war Ing 1 becomes empty," said Lieutenant Colonel Bjorn Falkenstrom. "We are just a training establishment, wartime tasks are organized by I 1 at Kungsangen. The tasks for our force which exist in the municipality are not at all strange. Several years ago I sent over a list to the municipality and told them what the unit could do to help in a possible accident. If something should happen to the channel, for example, they should know how many men we could provide, what machines we can supply, etc. That is all!"

In the new regulations the limits between the military and the civil defense will be made more clear.

"Nor is there any reason to stamp the civil portions secret."

09287

Peace Researcher Criticizes Carlsson on Sub Incursions

36500058 Stockholm DAGENS NYHETER in Swedish
11 Jan 88 p 5

[Guest editorial by Ola Tunander, peace researcher at the International Peace Research Institute in Oslo: "War of Words Will Not Resolve the Submarine Issue!"; first paragraph is DAGENS NYHETER introduction]

[Text] A new war of words between Sweden and the Soviet Union is not going to deter the Soviet Union from continuing its incursions. On the contrary, diplomatic aggressiveness on the Swedish side would be the ideal way to ensure that the submarine intrusions continue. It is not by telling the Soviets off or shouting "boo" that Sweden will induce the Soviet Union to back off. Instead, Sweden should supplement an unmistakable military emphasis with a diplomatic offensive aimed at limiting superpower interests in Northern Europe. So writes Ola Tunander, a researcher at the International Peace Research Institute in Oslo.

The continuing submarine intrusions require a new Swedish policy with more stringent rules for taking armed action, greater openness, and a readiness to look the superpower right in the eye. So writes Wilhelm Agrell (DAGENS NYHETER Op Ed page, 18 December) in connection with publication of the report by the OB [supreme commander of the Armed Forces] on foreign submarine activity this past fall. Carl Bildt goes a step further by making ambitious public statements. The problem is assumed to be a matter of courage: of daring to point to the Soviet Union and daring to take on a diplomatic fight with all its troublesome consequences.

I believe that that is a misjudgment and that a return to the days of the big war of words would be pure stupidity in any case. To my knowledge, there is no one in the political elite who does not uphold the need for an unmistakable military emphasis, but that should be linked not to a new Swedish-Soviet war of words but to a diplomatic offensive on behalf of mutual U.S. and Soviet restraint in the seas in our immediate vicinity. If that military emphasis is not supplemented with diplomatic measures concerned with the entire Scandinavian region, it is not likely to have any effect.

During the events in Karlskrona and Hars Bay from 1981 to 1983, severe public criticism was combined with military displays and the singling out of the Soviet Union as the intruding nation.

In the military command and in diplomatic circles, it was soon realized that that policy was working against its own purpose. Military and diplomatic secrecy were in conflict with the demand by the mass media for proof, and ambitious statements could not be backed by calculations of probability.

When the mass media, consistent with their own logic, magnified those limitations, the result was general uncertainty in the nation. Several diplomats also pointed out that a high public profile would not deter the Soviet Union from continuing its intrusions. On the contrary.

That kind of scolding would be the ideal way to ensure continuing submarine intrusions, since it would 1) be construed as a humiliation preventing a dignified retreat, 2) create increased tension, which, from a general point of view, would increase Soviet interest in the region, and 3) give the appearance of Swedish double-dealing, which in turn would probably increase the priority assigned to Soviet war contingencies involving Sweden.

A high public profile may work off personal frustrations and play some role in domestic politics, but it is not a solution to the submarine problem. It is not by telling the Soviets off or shouting "boo" that Sweden will induce the Soviet Union to back off.

On the other hand, it is likely that the new Soviet leadership is worried about awkward revelations, and there are probably reasons for greater openness in the future, especially to avoid too much spreading of rumors.

But I cannot see the point in making either of those things public at a time when Sweden and the Soviet Union are beginning bilateral talks concerning the Baltic Sea and just before Soviet Premier Ryzhkov's visit to Sweden. Any negotiator knows that you do not begin discussions by placing your cards, both high and low, on public display.

Relations between governments constitute an extreme case of bargaining in which some degree of secrecy is required. The national interest is subject to a different logic of public access than the interest of the citizens is, and that conflict is something we are forced to live with. As citizens, we want to know as much as possible in order to decide whether or not a government deserves our confidence. But the fact that a government conceals something for a time does not necessarily mean that it is afraid of the light. In its relations with other nations, it may in many cases have good reasons for its precautionary measures.

In the Soviet leadership's case, that operant handling of information seemed natural, and if it is lying about the submarine issue, this should be interpreted as reflecting not just an unwillingness to openly admit a violation of Swedish territory but also an unwillingness to allow preparations by the two superpowers for possible war contingencies to be followed by a challenging of the boundaries and the European security system which emerged from World War II.

As far as the Swedes are concerned, this presents a dilemma. We prefer honesty in our relations with others, but in this case, a Soviet admission of responsibility—improbable in itself—would in all likelihood make the situation worse. Greater openness and honesty are important for increasing mutual confidence among nations, but the other side of the coin is that such a process requires that the superpowers keep their mutual military threats in the region within bounds.

Since coming to power, Gorbachev has demonstrated an openness that we have not been accustomed to seeing on the Soviet side. He has worked for detente and disarmament, and he has chosen to play down and reinterpret the U.S. threat. But it is not self-evident that that greater openness and that obligingness are, in themselves, going to change the situation in the Nordic region. It is probable, however, that the new policy may at least provide certain possibilities.

The Gorbachev regime can scarcely fail to be affected by awkward revelations. At the same time, the negative consequences of outspokenness have diminished as a result of the start toward international detente, and it is also possible that Gorbachev is prepared to play down the risks of an American presence in the region. Those arguments speak in favor of greater Swedish openness.

But political openness, military action, and an unwavering gaze are not a sufficient basis in themselves for a new policy. If confronted with a sunken Soviet submarine in Swedish waters or some other unequivocal exposure, the new regime may react by placing the blame on overambitious officers associated with the previous administration. It is likely that exposure would merely bring about a military shakeup. By getting rid of old senior officers and appointing new ones who would feel a sense of loyalty and obligation to the Gorbachev regime, that

regime would be able to solve a problem not only in domestic politics but in foreign politics as well. On the Swedish side, it must be possible to interpret Ryzhkov's statement, "Show us your proof," in that way.

To sum up, the new situation gives cause for a new openness, although not at this particular moment. But neither a stiff military posture nor greater openness is enough in itself to solve the submarine problem.

In recent years, Swedish policy on the submarine issue has been characterized by a double strategy: an unmistakable military emphasis has been combined with diplomatic measures and with a low public profile in order to provide room for a Soviet retreat and avoid unnecessary tensions that would bring increased bloc solidarity in their wake. Military preparations for being able, at least in the future, to deal with intruding submarines and a surprise attack (however improbable) are being noted in other nations.

As Wilhelm Agrell says, the problem is that even today's intrusions are unacceptable, but this does not necessarily have to cause any immediate concern. The West and the East both engage in that type of activity so as to be prepared for any possible war contingency: the United States operates very close to the Soviet Union's coasts and military bases, and the Soviet Union does the same at U.S. bases.

Sweden's problem is that it happens to be located on a spit of land in a region of U.S.-Soviet interest that is very close to the Soviet Union's vulnerable bases on the Kola Peninsula and Leningrad. The sea areas surrounding Scandinavia are seen in Moscow as being vital to the Soviet Union, and the U.S. leadership tries to use that fact to deter Moscow from risky ventures in areas less favorable to the United States.

We must realize that just as we worry about Soviet activity in forward positions, so the Soviet leadership worries about offensive U.S. activity, and the result is a greater Soviet commitment in this region.

We cannot concentrate on what is happening in the Baltic Sea to the exclusion of all else, because from a strategic point of view, the Scandinavian region must be considered in its context. From that standpoint, Soviet submarine activity is not likely to stop simply because of better shooting and a higher noise level. If Sweden were to combine military measures with diplomatic aggressiveness, the most probable result would be an increase in tension and superpower activity in our region.

The most reasonable solution from the Swedish standpoint is to supplement an unmistakable military emphasis with a diplomatic offensive aimed at limiting superpower interests in Northern Europe. By working to bring about mutual U.S.-Soviet restraint, including, for example, a restriction on military exercises in the sea areas surrounding the Scandinavian Peninsula, the military

side of our neutrality policy can be rounded out by a diplomatic side that will support the former while simultaneously offsetting, perhaps, the lopsided tilt toward security policy.

A future double strategy for dealing with submarine activity should include, for one thing, unmistakable military measures and greater openness without Sweden's winding up involved in the war of words between

East and West. For another, that strategy should be aimed at bringing about a mutual reduction in both Soviet and U.S. naval activity in the sea areas surrounding the Scandinavian Peninsula. Without that latter component, the former component will work against its own purpose, and without the former, the latter will not create sufficient credibility.

11798

FEDERAL REPUBLIC OF GERMANY

Mood Hopeful but Questions Remain Following EC Summit

Farmers Want Additional Assistance Following Brussels Accord

36200067 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 15 Feb 88 p 2

[Text] The predominant feeling in Bonn, even within the SPD, is a sense of relief that the summit of European government leaders did not fail. On Sunday, caucus chairman Dregger thanked the Chancellor for bringing about agreement during the talks through his prudent leadership as Council President. FDP General Secretary Haussmann speaks of the Federal Government's "masterful achievement." From the coalition's point of view, the importance of the compromise lies, above all, in the fact that progress is being made towards European unity and that the common internal market can now become a reality. The German Farmers' Association as well as the agricultural cooperatives which are joined together in the Raiffeisen-Verband also acknowledge that the agreement provides a foundation for European development, yet they continue to insist that German farmers receive support in the form of "detailed, practical regulations" and additional national assistance. In the view of the SPD, the compromise does not create the preconditions for reducing agricultural spending; on the contrary, the Federal budget will be more heavily burdened. The Greens believe the Brussels agreement will prevent the goals of reducing agricultural costs, limiting over-production and guaranteeing the livelihood of farmers from being achieved over the long term.

The deputy-chairman of the SPD faction, Ehmke, predicted that the new Federal budget will reach DM50 billion as a result of concessions made by the Federal Government. European agricultural policy will see little benefit in terms of savings. The SPD representative for financial issues, Spori, believes that the government will have to pay an additional DM40 billion between 1988 and 1992 as a result of the summit agreement. The West German taxpayer will have to accept an increase in the VAT. SPD representative, Wiczorek-Zeul criticized the compromise as the most expensive possible solution. CSU Chairman Strauss said that, in any case, the decision would mean that the Federal Government would pay more and receive less. It remained to be seen what the whole range of consequences would be.

The Federal Government notes that it has never played down the additional burden carried by the FRG in the EC. With the Brussels compromise, however, agricultural production could be effectively limited on the basis of assured EC financing, according to government spokesman Ost. Federal Agriculture Minister Kiechic said the Brussels result contained essential elements of a "more reasonable" agricultural policy. However, it also involved risks and burdens for agriculture. The farmers'

association welcomed the creation of a solid basis for financing the Community, but it also sees new victims among West German farmers, especially those who grow primarily cereals and oilseeds. In order to minimize losses in income, which would affect many farmers as a result of decisions made in Brussels, the farmers' association is demanding that the government, the Bundestag and the Bundesrat reduce the burden to farmers using all means available to them through tax, structural and social policies. Furthermore, according to the Farmers' Union, the state has the responsibility, as put forth in agricultural law, to make the social conditions in the agricultural sector comparable with those in other sectors of the population.

Kohl repeated his promise that the government would not abandon the farmers. Ost announced corresponding national measures which were permissible under the provisions of the EC agreement. In order to assure income for farmers, social assistance—in addition to the supplement for depressed areas—as well as income supplements according to acreage, coupled with a 3-percent VAT compensation, could be guaranteed in the future. In this way, West German farmers could receive more direct assistance to guarantee their income.

What the West German Farmers' Association misses most as a result of the Brussels compromise is that farmers will not receive the kind of assistance which will help them to earn sufficient income in the market. The planned land set-asides and voluntary early retirement will not noticeably improve the market for their goods. Bonn is soon expected to provide the legal basis which will put into effect regulations concerning early retirement pensions for farmers as well as land set-asides in return for monetary compensation. The farmers' association is pressing the Federal Government in its talks with member countries to see that land will be set aside throughout the Community and that less intensive cultivation will be favored.

As to the effect of these decisions on prices, Ost said that price reductions for cereals will continue to be limited and, in the case of oilseeds and protein crops, the commission's original demands would be somewhat "defused." Without question, he said, there were price reductions which would impact on West German agriculture which was unavoidable in the process of negotiating a compromise. FDP representatives Bredehorn, Heirich and Paintner, who deal with agricultural issues, believe it is significant that, during the talks, price reductions as early as fiscal year 1988/89 were rejected.

Progress Possible Toward Internal Market

36200067 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 15 Feb 88 p 1

[Commentary by Peter Hort: "Europe Can Once Again Be Hopeful"]

[Text] There is a pervasive feeling of relief, even jubilation, now that government leaders in the European Community have reached agreement. Has not the word

'Community' long been used to describe twelve individual entities which have increasingly diverged and each sought their separate paths? All at once—so it seems—they have reflected on the foundations of European unity and corrected the image of a government mired in dispute over frozen sides of beef and butter mountains: the old Europe is demonstrating an ability to negotiate and a willingness to bring about change.

It is a sign of hope that literally in the last minutes of last weekend's difficult negotiations which were driven to the verge of failure, government leaders were able to reach agreement on reductions in exorbitant farm expenditures as well as on a new system for financing the Community. Just a few hours prior to the surprising agreement, it looked as though another failure was imminent. As has been the case at previous "emergency summits," participants feared the worst during the drama of the decisive second night of discussions. Once again, it seemed that the sceptics were correct who saw no maneuvering room, in view of the upcoming elections in France and the FRG, and predicted a formula compromise. That things turned out differently may be due to a feeling on the part of the twelve members that another postponement of reforms would only make matters even worse. In addition, the view that it might endanger the creation of the European internal market may have helped. Before the experts work out the details of the agreement by the twelve members, everyone should try resist the temptation to define the winners and losers. Europe is not a "zero sum game" where one member wins what another loses. All were winners as a result of the compromise. While the FRG, as a relatively "rich" country, must now give Brussels an additional DM4 billion, it is also true that no other country benefits more from membership in the Community. In addition, with the introduction of the GNP as a factor in the calculation member contributions, the financial burdens on the twelve members will now be distributed more in accordance with the output of their economies. Countries like Italy will have to pay considerably more to the Community treasury in the future. More important, however, the yearly haggling about money will diminish in the Community which is larger than it once was: the Community has a secure financial foundation until 1992. It is open to argument as to whether or not the intended reductions in the agricultural budget create the preconditions for this. Margaret Thatcher, who fought bitterly for even greater reductions, finally had to capitulate. Kohl and Chirac successfully pushed through their comprehensive program which would protect farmers; it was an illusion to demand more concessions before elections. Even so, farm subsidies will be allowed to increase much less sharply than an increase in GNP would allow for. And if certain limits are exceeded, the farmers must accept price reductions. In short, the nuisance of unlimited increases in surpluses will gradually diminish.

Among the rather dubious sounding parts of the compromise are land set-asides for which farmers will receive bonuses in the future. Against the advice of many

experts, Bonn insisted upon this new opportunity for helping farmers. But will it really help them? This new subsidy offer will cause clever farmers from Jutland to Sicily to put barely arable land out of production, to cultivate the remaining acreage even more intensively, and to expect payment for doing so. The mind set of dependency which is already strong will become even stronger as a result of these subsidies which are difficult to control. In actuality, farmers must struggle against increasingly becoming recipients of assistance, instead of being more entrepreneurial in their approach towards changing market conditions.

Among the more successful parts of the reforms is the structural assistance offered to the poorer southern countries and Ireland. The new funds which will be flowing into the treasury will reduce the gap in welfare between the "richer" North and the "poorer" South to a considerable degree. That this is possible over the long term and presupposes a high degree of effort on the part of the countries which are in a more favorable situation, is, to a certain degree, in accordance with the business foundation of the agreement. In the old industrial areas of the Ruhr, Lothringen and Liverpool, people will be thankful for the infusion of money. Together with a special program for Portugal, the hopes for the Mediterranean countries are also fulfilled; this will strengthen the cohesiveness of the twelve members.

Chancellor Kohl and Foreign Minister Genscher, who as council chairman in Brussels fought for almost 40 hours for the compromise, were clearly relieved at the close of the meeting. It is prestigious for the Chancellor that the "Delors package" was finally accepted during the term of the West German presidency after being presented for the third time. The Commission President, who fought side by side with Kohl for the reforms, has strengthened his position. However, the most important thing is that the twelve are now free to put the European internal market into effect by 1992, and in doing so to come a step closer to political unity.

/9738

Research Minister Urges Participation in EC Research Programs

36200065a Duesseldorf *HANDELSBLATT* in German
10 Feb 88 p 6

[Text] During the term of the German Council chairmanship in the EC, Federal Research Minister Heinz Riesenhuber wants to advance the European states on the road to a technological community during the first half of 1988. This was stated by Riesenhuber in Bonn on Tuesday.

To implement this goal, the German research minister will start in Brussels with the following work program:

—Decisive progress in the treatment or even enactment of those EC research programs which are of great importance to the planned joint domestic market. Riesenhuber counts among these primarily the Esprit-II program in the area of information technology with a life of 5 years as of December 1987 and a total volume of 1.6 billion ecus (DM3.31 billion), as well as the program for industrial base technologies with a life until 1988 and a volume of 185 million ecus (DM383 billion [as published]).

—Enactment of the continuation program "nuclear fusion" (1987-1991) and reorientation for the joint research center, i.e., the four research institutes in Ispra, Karlsruhe, Geel and Petten.

—Decisions are to be made concerning the program proposals on metrology and chemical analyses, cooperation and exchange in science and biotechnology, and promoting access to large-scale scientific instruments.

Beyond these decisions, Riesenhuber as chairman of the appropriate EC Council wants to suggest the following initiatives cutting across programs:

—More so than previously, the EC is to become involved in Eureka projects and recognize them as a contribution and tool for attaining competitiveness of European industry.

—Riesenhuber wants to reduce costly detours and blind alleys in technological innovations and avoid the creation of competing norms in the member states which impede further technical development.

—Based on the Commission's work on guidelines for genetic technology and biological safety, Bonn desires examination and discussion of the respective aspects in the EC Council. This is to prevent grave differences within the EC with regard to research approaches and conditions as well as removal of certain research work to regions with more liberal regulations.

—The Federal Ministry for Research considers it necessary that an understanding be reached within the EC on where ethical lines must be drawn, for example, in research on human embryos. For this reason, the federal government will propose a conference in the EC on the subject of bio-ethics. At the meeting, these questions are to be discussed by scientists of all disciplines, and approaches for joint guidelines are to be found.

9917

No Cut in Economic, Basic Research if Space Funding Increases

36200052b Duesseldorf *HANDELSBLATT* in German
7 Jan 88 p 4

[Text] Bonn—The increase in expenditures for space research is "in no way" detrimental to the German economy's self-initiative in research and technology. The

growth rates for space research do not amount to "even a third of a percent of the German economy's self-financed research expenditures." This conclusion is reached by an internal study of the Federal Ministry for Research and Technology (BFMT).

The study was drafted against the background of the fears expressed by large scientific organizations as well as on the part of private enterprise that the planned expenditures for space research would be detrimental to the advancement of research in the area of basic research and the economic application of research.

In the BFMT's study, which characterizes these fears as unfounded, it is emphasized that the expenditures for space research, which will increase from DM1.1 billion in 1987 to DM1.2 billion in 1988 and will grow in the out-years of the medium-term budget program by DM80 million to DM100 million per year to 1990, amount to only about 2 percent of total German research outlays. The increase in research expenditures for the area of space is in the order of magnitude of 1 percent of basic research expenditures in the Federal Republic. It is stressed in the study that "solely on the basis of this proportion it can be assumed that the increase in space research expenditures will not affect basic research."

In the opinion of the study's authors, the discussion about "ostensible financing difficulties" for basic research which allegedly would be brought about by the increase in expenditures for space research diverts attention from the fundamental problem in basic research. This fundamental problem is a result of the mixed federal-state financing on the one hand and of the differing financial allocations of the states on the other.

It is then stated in the BMFT paper that "even if the research minister would increase his expenditures for basic research on a massive scale, for all practical purposes this would be possible only by way of assistance to the planning and design process, which is itself regarded as problematical in the scientists' view when it reaches very high proportions of basic research budgets." Furthermore, with a total of 20 percent of its research expenditures, the Federal Republic has attained a "very high level" of basic research funding among the Western industrial countries. Criticism is leveled at the system of organization of German basic research in this regard."

13238/7310

Improved Research, Employment Opportunities Slow Brain Drain

36200052a Duesseldorf *HANDELSBLATT* in German
7 Jan 88 p 3

[Text] Bonn, 6 Jan (AP)—The oft-depicted danger of the migration of highly qualified scientists from the Federal Republic to the land of allegedly unlimited possibilities has been dispelled: The "brain drain" to the United

States has even changed its direction by 180 degrees. Federal Minister for Research Heinz Riesenhuber pointed this out in an interview with Associated Press.

"The problem of the 'brain drain' no longer exists," Riesenhuber said. "German scientists' interest in lengthier stays in the United States for research purposes has declined measurably in the meantime, and simultaneously the number of American scientists who are working on research projects in the Federal Republic has risen considerably."

Riesenhuber welcomed this development, citing it as proof of the attractiveness of German research and scientists' working conditions. The minister characterized EC commission reports concerning a threatening migration of European scientists to the United States as primarily a British problem.

Riesenhuber cited the numbers of young scientists with brand-new doctorates who at any given time are living abroad to conduct long-term research as further evidence of the turnaround in this trend. Thus, the number of young German scientists and engineers engaged in long-term research activity in the United States between 1979 and 1985 has remained approximately unchanged at 700, while the number of new American PhD's staying on a long-term basis in the Federal Republic for research purposes has nearly tripled to about 800.

According to the minister's statements, this tendency becomes even more evident in light of the numbers of foreign "postdoctoral fellows" paid from American research funds who, shortly after their doctoral exams, come to American universities to stay for research projects: The annual number of young German scientists in these programs has declined between 1967 and 1980 by over 50 percent to 196.

13238/7310

Firms Urged To Prepare for Internal Market After 1992

36200066a Duesseldorf *HANDELSBLATT* in German
2 Feb 88 p 6

[Text] Federal Economics Minister Martin Bangemann has urged West German businesses to "prepare themselves for the European internal market, to plan their investments accordingly, and not to miss out on the first opportunities." The minister's appeal was a reaction to the results of a survey which showed that nearly all French firms had already taken the 1992 goal for the EC internal market into consideration in their corporate planning, whereas only a quarter of the West German firms had done so.

In a joint presentation given by the Federal Association of West German Industry (BDI), the Society for the Advancement of Protection of Foreign Investment, and the West German Chamber of Industry and Commerce

in Great Britain and Northern Ireland, Bangemann emphasized that there is no doubt that the EC internal market will go into effect at the end of 1992; British Minister for Trade and Industry, Lord Young of Graffham, also stressed this point. Economics Minister Bangemann noted the following schedule for the West German EC Presidency which lasts until the end of June 1988:

—During the emergency summit in Brussels on 11-12 February, agreement must be reached concerning the basis for reform on the issues of financing, agriculture and the structural fund. In doing so, a decision must be made on a new system for financing the Community and agreement must be reached on tighter budget discipline. This is primarily a matter of reducing farm spending and surplus production. According to Bangemann, progress on European integration must not become "a hostage to agricultural policy." The "Agricultural policy brake" is especially damaging to European industry and service oriented firms. Thirdly, agreement must be reached in Brussels regarding substantial augmentation of the structural fund together with the necessary budget discipline.

—For the first time the new possibilities presented by the Single European Act must be addressed in their entirety during the West German presidency. In doing so, Bonn wants to make use of the additional opportunities for majority voting in such a way as to accelerate the process of Community integration.

—According to Bangemann, the emphasis during the West German Presidency will be to make progress toward the goal of creating an internal market by 1992. Specific topics to be focused on are reducing non-tariff barriers to trade, opening the public acquisitions markets, liberalizing capital transfers, progress in the area of transfer of services and freedom to choose one's place of domicile, harmonization of tax rates, progress on the internal transportation market as well as the Europeanization of patent and trademark protection.

In Bangemann's words, the sought after internal market integration must be accompanied by an effective coordination of economic and monetary policies. The goal is the European Currency Union in which "an independent central bank can effectively support a unified economic and monetary policy." The most recent discussion regarding Bundesbank participation in the German-French finance and economics council were described by Bangemann as unsuccessful. No one should be concerned that the fundamental principles of monetary and currency policy would be questioned.

In Bonn, British Trade and Industry Minister Young urged the opening of the European market for telecommunications equipment. According to Young, the key to the opening of this market is the introduction of uniform European standards such as the separation of the supervisory and operating sectors of postal and telecommunications authorities. Likewise, a unified market must be

created for the service sector. Liberalization in the transportation and financial sectors is overdue, according to Young. In addition, Young urged that self-employed persons must be granted the freedom to choose their place of domicile.

/06662

Power Companies Oppose Electricity Imports After 1992

36200066b Duesseldorf *HANDELSBLATT* in German
26 Jan 88 p 13

[Text] The German power industry opposes the idea of power companies in the FRG directly importing foreign—primarily French—electricity once the European internal market goes into effect. Large quantities of imported electricity would undermine the energy policy and supply infrastructure in the FRG. This statement was made by Peter Heindinger, Chairman of the Association of West German Electrical Power Plants, on Monday in Bonn.

While the possibility for cross-border supplying should be more fully exploited in the 12-member European electrical power association which has existed for many years, it is not necessary by means of state or European regulations to further develop the European market for electricity which has proven effective, according to Heindinger. In the process of revising the cartel rules, Heindinger urges that the power industry remain an exception to this rule, since this market has a special structure solely due to the fact that electricity is a special type of goods.

The position of the association on the issue of "Euro-electricity" is that the usual, internationally designated supply areas must be maintained because without them the foundation for a dependable and reasonably-priced supplying this area would be eroded. An energy policy which favors German coal would no longer be feasible. The competition offered by imports would only bring advantages to a few large consumers of electricity. Small consumers in households, agriculture and industry would receive no special deal on imported electricity, said Heindinger. If large consumers were to use imported electricity, small consumers would have to pay to cover the costs of the West German power plants which would not be covered by the larger consumers.

/06662

Hesse Encourages Growth in Research and Technology Sector

36200052d Munich *SUEDDEUTSCHE ZEITUNG*
in German 4 Jan 88 p 6

[Text] Wiesbaden (DDP)—According to state government plans, Hesse is to be systematically developed in the coming years as a location for research and modern

technologies. In a DDP interview in Wiesbaden, Economics Minister Wolfgang Gerhardt (FDP) said that this year the state government would begin, "with considerable financial allocations," a large number of initiatives for the establishment of research facilities. The minister pointed out that the CDU-FDP coalition had nearly doubled the state's research budget. Among other things, two centers for biotechnology, an institute for solar energy supply technology in Kassel, the location of the Fraunhofer Institute for Operational Servicability in Darmstadt, and the establishment of a center for communications technologies in cooperation with the Society for Mathematics and Data Processing, are planned.

13238/7310

Equity Investment Firms Supply More Capital to Small Businesses

36200065b Frankfurt/Main *FRANKFURTER ALLGEMEINE* in German 5 Feb 88 p 19

[Article by Fred Zeyer: "Small Businesses Demand More Capital Resources"/ Equity Investment Firms Have Already Invested in 1,500 Enterprises]

[Text] The demand for more capital resources or so-called equity capital has noticeably increased in the FRG in the past years. In recent days, small businesses in particular show interest in broadening their own capital base. This is proven by the larger stock price list as well as the growing market of equity investment firms.

At present, there are probably over 50 such firms. Recently, this young industry has even shown 2-digit growth rates. Its market volume is estimated at DM1.6 billion to DM2 billion. Two-thirds of this volume probably is accounted for by equity investment firms, and the remainder by so-called venture capital firms. In 1986, equity investment firms probably invested about DM200 million, and venture capital firms some DM120 million in enterprises.

Traditional equity investment firms, predominantly founded by credit institutions, since the late 1960's have offered classic forms of equity financing to mature enterprises. In the mid-1970's, this offer was complemented by venture capital firms. In the beginning they concentrated on young, innovative companies. In this, not only banks, but also industrial enterprises, insurance companies and public authorities are involved. It is carried out on a regional, supraregional, and international level.

Since the beginning of the 1980's, the offers of classic equity financing on the one hand, and that of "venture capital" on the other, have moved ever closer together and today differ only slightly. While equity investment firms occasionally invested in young enterprises, venture capital firms sometimes offered equity capital also to mature enterprises, and paid increasing attention to

special enterprise phases, such as financing the preparatory stages of going public, or a management buy-out or spin-off (salaried managers buy their enterprise, or a part thereof).

Both financial groups probably have invested in over 1,500 enterprises. Since no official statistics exist, no figures are available on the volume or the staff of the equity investment firms. Furthermore, no data are available on the loss ratio of the equity investment firms. This could change soon, however, once the recently founded Federal Association of German Equity Investment Firms e.V., Berlin, starts its work.

Among the reasons for the strong upswing of the young industry are mentioned in particular that ever more entrepreneurs recognize the need for strengthening their own capital base to be able to finance securely innovations and above-average growth phases. Also, nowadays greater financing is necessary in order to take advantage of business opportunities. Furthermore, German owners of enterprises are meanwhile more prepared to accept partners or detach themselves from the enterprise. The equity investment industry also points to the generation change taking place on the leadership level which has led to a positive change in the attitude of some entrepreneurs, [which was] to always remain sole master of one's house. In addition, transition solutions will be on the increase due to the age structure of many entrepreneurs. It is also expected that the demand for equity financing will continue to grow because of the increase in buy-out and spin-off activities.

In addition to the increased demand for equity capital, a stronger market profile can also be observed. What is in demand is not the standard solution, for example in the form of a silent partner who remains rather outside the business, but a partner who can offer a tailor-made investment program and, simultaneously, active service and support of general questions of business management. This explains why the market leader, Deutsche Beteiligungsgesellschaft GmbH, a member of the Deutsche Bank corporation, at the local level works closely with auditors, business consultants and with the bank's local branches in this service-intensive business.

9917

FRANCE

Report on Economic Relations With USSR

35190030d Paris LE MONDE in French 21 Jan 88 p 29

[Article by Francoise Crouigneau]

[Text] Michel Noir, the French foreign trade minister had been preparing to meet his Soviet counterpart, Boris Aristov. But instead he found Konstantin Katushev in Moscow on Wednesday 20 January. Four days before the

traditional French-Soviet "senior commission" was to meet, TASS announced a new episode in the "perestroika" (restructuring) introduced by Mikhail Gorbachev.

Determined to reduce the number of government officials, the Presidium of the Supreme Soviet had decided to merge the Ministry of Foreign Trade, which was Aristov's fief, with the State Committee for Foreign Economic Relations, headed by Katushev, and make them one and the same organization: the Ministry for Foreign Economic Relations, to be headed by Katushev.

That last-minute change may be the main element for change in a senior commission which, like the 21 commissions which preceded it, looked set to meet, in accordance with an immutable ritual, to celebrate trade relations that are in better balance but at a modest level.

After a preliminary meeting with his guest, Katuchev followed tradition by kicking off a session that included a discussion, in the most strictly ordered sequence, of economic and commercial issues, then scientific and technical issues, agriculture, nuclear energy, cooperation, color television, and the activities of the French-Soviet Chamber of Commerce. An unwieldy machinery, but dusted off a little to reflect perestroika. The number of sectoral groups scheduled to assess bilateral relations has been reduced. The working group set up under France's former ambassador to Moscow, Henri Froment-Meurice, to provide advice and liaison between Soviet authorities and French companies tempted to try out a joint venture will probably also inject a slight breath of renewal into this annual "high mass."

Following its first meeting last December, that working group will be able to report on the three agreements duly signed by Aniral Utec in the field of data processing, the SMMI in connection with anticorrosion materials, and the Olivier firm in connection with trash bags that seem likely for a time to make the Soviets think they are dreaming, since they are accustomed to using those plastic bags more for wrapping gifts than for wrapping garbage.

Three other agreements seem to be coming along well. They involve Pechiney, Eclatec, and Loreal. But before the approximately 27 projects on the list see the light of day, the question of transferring capital and settling disputes will have to be resolved. With that in mind, the group's participants will certainly be studying the latest Soviet proposals aimed at the "protection of foreign investments" in the USSR.

Good Barometer

On the other hand, it seems likely that the discussions on trade will be on a low key. Not that the debates promise to be tense. Regarded as a good barometer of relations between Paris and Moscow, the "senior commission"

should reflect the detente that has occurred following the settlement of the dispute over the terms of French loans that was announced during Prime Minister Jacques Chirac's visit in May 1987.

But in the USSR as elsewhere, the golden age of big contracts is over. A few projects seem close to a successful conclusion. They range from the gas desulfurization treatment facility as part of Teguiz-2 (some 600 million francs) to the production of hydrocracking catalyzers (500 million francs). But the policy for modernizing the economy that is being pursued by the Gorbachev team is leading it to conserve its foreign exchange, while the restructuring of Soviet purchasing organizations is causing them a few problems as they adapt to the new situation.

All things considered, the two parties will be able to declare themselves relieved to see a better balance in their trade: the French deficit was reduced from 7.6 billion francs during the first 11 months of 1986 to 3.9 billion francs a year later. The reasons for that improvement are scarcely encouraging, however: there was a 4 percent increase in French exports and a 20 percent drop in Soviet exports reflecting the decline in energy prices and the lower volume of gas sales.

From Noir's standpoint—he has consistently argued in favor of an "upward" restabilization of bilateral trade—that development cannot be considered satisfactory. Especially in view of the fact that despite real progress—France's share of the Soviet market having recovered from 7.1 percent during the first half of 1987 to 9.4 percent a year later [as published]—France is still behind the FRG, which is the USSR's largest Western partner with 20 percent, Italy with 11 percent, and Japan with 10 percent.

11798

Inflation Rate Slowdown Noted

35190030c Paris LE MONDE in French 16 Jan 88 p 27

[Article by Alain Vernholes]

[Text] The slow December price rise in France (+0.1 percent) brings to 3.1 percent the increase in the cost of living for 1987. That result is apparently not as good as the result for 1986, a year when prices rose by 2.1 percent. But a comparison between the 2 years is misleading. In 1986—a lucky time for motorists—energy prices dropped by 14.5 percent at the consumer level. It was a totally new experience. In 1987, on the other hand, they rose by about 0.5 percent (1).

Sharp variations in petroleum prices have no direct connection with inflation. To get an idea of inflation, therefore, it is not unrealistic to exclude energy when comparing the results for 1986 and 1987. If we do that, we see that prices rose more slowly in 1987 than in 1986—by less than 3.5 percent, compared to 4 percent.

On the other hand—and this gives Balladur another reason for satisfaction—the slower price rise last year was achieved despite the complete freedom given to businessmen, who for the past year and for the first time in nearly half a century have been setting their prices and rates as they please. That freedom caused Balladur no small amount of worry for a time. In January 1987 and again in April, the index soared (+0.9 percent and +0.5 percent) because of sharp price increases in services. After that, things settled down a little. But the fact remains that restaurants, cafes, hairdressing salons, dry cleaners, laundries, garages, and parking lots have not stinted on their price increases. For the year as a whole, the price of services is thought to have risen by about 8 percent. The actual figures will not be published for another 10 days or so. That is more than double the average rise in retail prices.

It remains to be seen whether this is just a matter of catching up for professions that have long been controlled by the government or the start of a lengthy period of soaring prices helped along by insufficient competition. The sanctions applied by the Competition Board to certain bicycle and motorcycle repair shops lead one to feel some concern on that point.

Despite those price increases and despite the risks they present for the economy as a whole, price rises have been slowing steadily. Over the last 6 months of the year, the annual rate of inflation returned to the vicinity of 2 percent, and it was even less than that during the last quarter of 1987. Who would have believed it only 2 years ago? Those results are an undeniable success for Balladur and his team.

The phenomenon of disinflation has no doubt been a feature of the world economy during the 1980s. From that standpoint, the successes achieved in that area by France are no great achievement. But for once, our country has managed not to miss the train, thanks in particular to a policy of wage restraint which was inaugurated in 1982 and which has been pursued consistently since then. As a result, our performance is moving closer to that of the FRG, a hopelessly sensible country.

It All Has Its Limits

It is true that with the obvious intention of presenting the best possible results in connection with the upcoming elections, the authorities have doubtless done a great deal to slow down as much as possible a price index that was already well behaved. The TVA [value-added tax] on automobiles was reduced last September, and certain price increases—on tobacco, for example (up 10 percent next April)—have been postponed. Lastly and especially, public utilities have been pressured to reduce their rates (by 15 percent in the case of the French Gas Company and 0.5 percent in the case of the EDF [French Electricity Company]) despite the poor financial situation of the one and the very high indebtedness of the other.

Truth in costs, the laws of the marketplace, and, in short, economic liberalism—all of that has its limits.

Footnotes

1. Gasoline prices dropped by 15.7 percent in 1986. They then rose by about 5 percent in 1987 (the final figures will be known within the next 10 days).

11798

Study Shows Changes in Business Investment Activity

35190030a Paris *LES ECHOS DE L'ECONOMIE*
in French 18 Jan 88 p 3

[Article by J.-M.N.]

[Text] According to a study by the INSEE [National Institute of Statistics and Economic Studies], the financing system used by French firms has been moving for several years toward a model dominated by the preponderant role of financing channels and a high degree of self-financing.

Characterized by a record level of self-financing, limited recourse to bank loans, and the growing use of stock and bond issues, the financing system used by French firms since the beginning of the 1980s has been changing rapidly and moving closer to the system used in countries with a "financial market economy," emphasizes a study published by the INSEE.

Whereas the firms were heavily in debt at the start of the 1980's (interest payments represented 10 percent of their added value in 1981 and 1982), improved profitability enabled them to loosen that grip beginning in 1983. Since interest rates were high, they turned to the stock exchange and, in 1986 alone, doubled their issues of stocks, shares in SARL's [limited liability companies], and investment certificates.

Concurrently, the share of medium- and long-term borrowing in the resources of the firms fell from 33.7 percent in 1977 to 31.9 percent in 1985, while the share of short-term borrowing fell even more sharply (from 26.6 percent to 9.6 percent).

For their part, households have shown an increasing preference for long-term investments (9.7 percent of their financial activity in 1970, but 35.4 percent in 1984), whereas the firms have not lost interest in transferable securities, which accounted for 17.5 percent of their employment of funds in 1985, compared to 3.3 percent 5 years earlier. The INSEE study notes that the very high level of self-financing (over 85 percent) that has now been achieved "conceals a less brilliant reality: a low investment rate."

The fact is that between 1968 and 1974, and despite a much lower level of self-financing, French firms had invested more thanks to "abundant credit that remained cheap for a long time."

Lastly, the INSEE plays down to some extent "the eviction effect" supposedly suffered by the firms as they were ousted from a financial market that was being used excessively by the state to satisfy its borrowing requirements. It was that concern, incidentally, which led Edouard Balladur in 1987 to devote 45.9 billion francs (out of the 66.7 billion brought in by privatization) to trim the national debt.

According to the INSEE, the need for the state as well as private borrowers to satisfy their requirements by innovating was what attracted new investment money to the markets.

Moreover, the national debt "may stimulate the financial market" by attracting savers, particularly households, which feel that the long-term investments offered by the state are safer than others. The INSEE concedes, however, that the national debt also helps raise interest rates.

11798

PORTUGAL

1987 Overview Shows Economy Heating Up

35420045b Lisbon *O DIA* in Portuguese 4 Jan 88 p 7

[Text] During 1987, the Portuguese economy took "the bit in the teeth," with the principal macro-economic indicators, Gross Domestic Product (GDP), private consumption, and investment growing at clearly higher rates than those predicted by the government.

The growth of the GDP should reach 5 percent, whereas the predictions for 1987 indicated a figure of 4 percent. In the area of investments, the difference is much more appreciable: the prediction of a growth of 10 percent was "pulverized;" it should reach 16 percent in 1987.

Thus, the economy "overheated" and domestic demand grew at a rate greater than that of Portugal's principal partners. Private consumption increased to such a degree in the first two quarters of this year that many specialists appeared concerned.

Some economists immediately declared that the Portuguese economy was "on a skid," while the most pessimistic immediately raised the specter of recession, a return to the economic policies of "stop and go," once again tightening the belt then loosening it later a notch or two.

1988: Third Year of Expansion

Finance Minister Miguel Cadilhe hailed the fact that Portugal "in 1988 was entering the third consecutive year of expansion," but the government does not fail to seek to reduce the rate of economic growth for next year, basically through the containment of private expenditures. The statistical data of the Bank of Portugal indicate a slight slowdown of private consumption and investment in civil construction in the third quarter of this year.

The reduction of private consumption in the last quarter of this year will certainly not be enough to compensate for the increase that occurred in the earlier quarters, thus consumption this year should be about the same as the figure for 1986 (6.8 percent).

The growth of disposable income of individuals, which grew about 3 percent this year in real terms, brought about this consumption "boom"—similar to that of the most industrialized countries in terms of consumption patterns.

But while the growth of the nominal average wages of the Portuguese to a large degree may explain the take-off of consumption, it is not possible to forget that direct taxes did not grow very much. It was a good year for tourism, with revenues growing in the first nine months of this year, about 38.6 percent in dollars, and the remittances of the emigrants increasing.

Income Below Consumption

In 1987, the added-value generated in the small Portuguese stock markets may have helped set off family consumption, although many of the companies made applications in the capital market to finance themselves. One aspect seems incontrovertible. In 1987, individual income grew at a rate below that of consumption (7 percent, a fact that caused the savings rate, which was around 25.2 percent 1986, to record the lowest level since 1985. The macro-economic indicator that is most disturbing is that of the equilibrium of the balance of current transactions. It should record a positive balance of \$600 million compared to \$1.159 billion in 1986.

Economists declare that "1988 should mean the return to a situation of a deficit in the balance of current transactions," as the result of the deterioration of the terms of trade exchange with the EEC, particularly neighbor Spain.

Portuguese exports should grow 10 percent in real terms compared to 7.8 percent in 1986, which means a gain of market shares, especially in the neighboring country of Spain, with more than 35 million consumers. The rate of growth of imports will be around 21 percent, whereas its growth reached 18 percent in 1986.

Containment of Public and Private Consumption

This development denotes a speed-up in the rate of growth compared to the previous year, resulting from the increase of consumption and the investment "explosion."

Aggravation of the deficit of the trade balance has continued to be sustained by the rate of growth of domestic demand. The drop of the dollar and the stabilization of the price of oil in 1987 may, in the short term, attenuate the deterioration of foreign accounts in nominal terms. In the meantime, the medium-term prospects for the world economy are not the most optimistic, according to reports of the OECD, the IMF, and the Bank of Portugal.

The degree of financial integration to which the Portuguese economy is going to be subjected in the coming years, the products of its entry into the European Community, raises a concern: contain domestic demand, particularly consumption, whether private or public.

The trade balance may deteriorate in the coming years and compromise the objective of economic development if the investments made in 1987 should not have been the most effective, even taking into account the enlarged common market.

In 1987, investment shot up, even surpassing the rate predicted by the government (10 percent), reaching at least 16 percent in real terms.

Strong Investment

The development of investment was certainly facilitated by the legislation that regulates tax credit for investment and provided that, in the collection of the industrial tax, an amount equal to 10 percent of the value of the investment completed in 1986 and 8 percent in 1987 be discounted. This opportunity was certainly not forgotten by the Portuguese businessmen.

The investment inquiry conducted by the INE and released in November estimated a growth of the gross formation of fixed capital (GFFC) in real terms of about 16.5 percent for 1987 (7 percent more than in 1986).

Productive investment in the mining industry, transportation, banking, and retail trade are above the average recorded in 1986.

The political stability we have experienced, especially with the majority achieved by the PSD in the 19 July elections—and despite the October stock "crash"—led the businessmen to make investments especially in the replacement of equipment and expansion of the productive capacity.

The cycle of strong investment we witnessed in 1987 was directed more at the rationalization of the productive process and the saving of energy than at modernization projects.

In 1987, a large share of investment was financed by the companies' own funds; there was less recourse to credit (moreover, restricted by the government) and a greater recourse to the issuance of stocks and bonds.

The restrictions on credit led many companies to resort to external financing to invest. The shortage of completely new investments, with macro-economic and regional impact, was one of the characteristics of the year that has just ended despite the appearance of projects headed by young entrepreneurs.

Growth Higher Than That of EEC

As for the gross domestic product (GDP), the Portuguese economy grew 5 percent in 1987 in real terms, whereas the government prediction indicated a figure of 4 percent.

The rate of growth of the Portuguese economy in 1987 was greater than the EEC average (2.2 percent) and than the OECD (2.5 percent). The government reached the goal it had set for inflations (9.3 percent in 1987 compared to 11.7 percent in 1986).

During the year, the Executive lowered administrative tax rates and improved the foreign exchange market and the interbank markets (monetary and securities) in terms of greater liberalization and of strengthening the Portuguese financial system.

The agreement on the policy of income and prices which the government reached with the social partners represented a strong contribution to achieving the objective of reducing the inflation rate.

The exchange policy of the sliding devaluation of the escudo ("crawling-peg") and the behavior of the dollar also contributed to the decline of domestic inflation despite the fact that the price of a barrel of oil was not favorable as in 1986.

Low Unemployment Rate

The situation in the labor market improved and it is envisaged that employment will grow 1.5 percent in 1987, whereas the previous year it rose 0.2 percent.

In Portugal, the rate of unemployment in the restricted sense dropped to 6.6 percent in the third quarter of this year compared to 7.9 percent in 1986. This development denotes a resurgence of economic activity, a fact that decisively influenced the labor market in Portugal.

The unemployment rate of 6.6 percent in Portugal is about half of the average in the EEC. In Spain, it is 20.7 percent; in Ireland, 18.5 percent; and in the United Kingdom, 11 percent.

The Portuguese foreign debt dropped from 80 percent of the product in 1985 to 45 percent in 1987.

The net assets in the hands of the public—total deposits, treasury notes, cash securities, repurchase bonds, among others—had a tendency to slow down but the circulation of currency in the economy and the on-term deposits in the banking system still remained at quite high levels.

The entries of capital that occurred during 1987 caused the overall liquidity of the economy to remain at disturbing levels.

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SPAIN

Details on Trascomin Firm Projects in Vietnam

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[Text] Several Spanish firms may be awarded contracts to carry out industrial projects included in the recently approved 5-year plan of the Socialist Republic of Vietnam.

This possibility is a consequence of the recent creation in that Southeast Asian nation of the mixed enterprise known as Trascomin Vietnam. The Vietnamese Government owns 60 percent of the capital, and the Spanish firm Trascomin 86, headed by Anotnio Calleja, owns 40 percent.

This entity, the first mixed enterprise to be established in Vietnam, will be in charge of channeling foreign investment, preferably European, into that country. The amount of investment to be controlled by Trascomin Vietnam during the execution of the 5-year plan will total around \$2 billion, or 220 billion pesetas. The Spaniards who are leading the new corporation, Antonio Calleja and entrepreneur Martin Sierra, want to ensure that the largest possible share of the contracts is signed with Spanish firms.

With this goal in mind, the directors of Trascomin Vietnam have begun the initial contacts with private Spanish firms and with representatives of the National Institute of Industry.

Among the priority projects that have been outlined by the Vietnamese authorities are several which are of interest to some Spanish companies. One of them is the expansion of the Saigon Petro oil refinery, which could be carried out by the engineering firm Tecnicas Reunidas. This company may also participate in the construction of a lubricants plant.

Trains, Trucks, and Ships

Another project that has been given top priority in the aforementioned Vietnamese investment plan is the program to build the necessary railroad infrastructure, which was destroyed in the last war suffered by the country. Specifically, Vietnamese officials want to install a plant for the assembly and manufacture of railroad cars, with a capacity for 12,000 cars a year. The public enterprise INIRAIL and the private firm Construcciones y Auxiliar de Ferrocarriles (CAF) may be interested in this project. In the automotive sector, the Vietnamese are focusing on the construction of an auto assembly plant, which would follow the importation of an initial shipment of 500 engines and chassis this year for experimental assembly. For this project, Tracom Vietnam officials have already signed a contract with the National Motor Truck Enterprise (ENASA).

Tracom Vietnam will also be expected to meet the Vietnamese demand for ships; several vessels will be purchased, including a 10,000-ton oil tanker and some 5,000-ton cargo ships. In addition, it will be in charge of the installation of a shipyard in the country. In this connection, the directors of the corporation will establish contacts with officials of the Naval Construction Division of the National Institute of Industry.

The initial contacts with these firms will be resumed when a Spanish delegation made up of officials from these companies visits the Southeast Asian nation at the end of this month. On this trip, organized by Tracom Vietnam, the delegation will be received by the economic authorities of the Socialist Republic of Vietnam.

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